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1970

ACCOUNTING TRENDS & TECHNIQUES

ACCOUNTING TRENDS & TECHNIQUES

ANNUAL SURVEY OF ACCOUNTING PRACTICES FOLLOWED IN 600 STOCKHOLDERS' REPORTS

TWENTY-FOURTH EDITION

AICPA

1970

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1970

ACCOUNTING TRENDS & TECHNIQUES

Twenty-fourth 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 additional reports. The reports analyzed are those with fiscal years ended not later than February 10, 1970.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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PREFACE

Accounting Trends and Techniques in Published Annual Reports — 1970 is the Twenty-fourth 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.

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 afforded the transactions and items reflected in the statements. An industry classification of companies included in the survey is also presented. Due principally to mergers, the companies included in the survey change from year to year. Statistics for each prior year except 1968, reflect reports on fiscal years ended not later than January 10 of the succeeding year. Statistics for 1969 and 1968 reflect reports on fiscal years ended not later than February 10.

Each of the 600 survey companies included in this edition is assigned an identification number which is used for reference throughout the text in the discussion of pertinent information. 492 of the companies were listed in the twenty-first (1967) edition and each retains the number assigned in that edition. The other 108 companies in the 1967 edition have been eliminated, principally because of mergers and other acquisitions. Their numbers have not been reused; instead, numbers 601 through 715 have been assigned to their replacements. The 600 companies in the current edition are listed in the Company Appendix Section by their identification number; in addition, companies assigned numbers out of alphabetical order are also shown (*in italics*) in their alphabetical location. Companies eliminated are shown at the end of the Appendix.

Special acknowledgment is due to J. Richard Chaplin, CPA; Gregory Frydman, CPA; Hortense Goodman, CPA; Phyllis C. Johnson, CPA; John G. Pate, Jr., CPA; Warren L. Slagle, CPA; John M. Boersema, Norman R. Meonske, Hyman Muller, Richard Rikert, and James L. Wright for their assistance in the analysis of the financial reports and preparation of the manuscript.

Woolsey Carmalt, CPA, Editor, Accounting Trends and Techniques
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTION

Opinions of the Accounting Principles Board applying for the first time to either all or a segment of the surveyed company reports are among the matters of current interest reflected in this edition of *Accounting Trends & Techniques.*

In order to facilitate the preparation of this edition of Trends, the number of company references shown at the bottom of various tables was decreased. Users of Trends needing additional references for research purposes may request additional references from the American Institute of Certified Public Accountants.

Matters of particular current interest are shown in the survey as follows:

Opinion No. 11—*Accounting for Income Taxes* (applies to all reports included in survey):

Allocation between periods 194

Carryforwards 8, 32, 203

Allocation within period 222

Opinion No. 12—*Omnibus Opinion*—1967 (applies to all reports included in survey):

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Opinion No. 16—*Business Combinations* (does not apply to reports included in survey; Opinion is effective for business combinations initiated after October 31, 1970):

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Opinion No. 17—*Intangible Assets* (does not apply to reports included in survey; Opinion is effective for intangible assets acquired after October 31, 1970) 94

Section 1 GENERAL

THIS SECTION OF THE SURVEY is concerned with general information about the 600 companies selected for the survey and with certain accounting information that cannot logically be included with discussion of one of the customary financial statements.

COMPANIES SELECTED FOR SURVEY

INDUSTRIAL GROUPS REPRESENTED

A classification by industry of the 600 survey companies is presented in Table 1-1.

VOLUME OF BUSINESS

Table 1-2 indicates the relative size of the survey companies as measured by dollar volume of revenue. More than 20 percent of the survey companies had revenue in excess of a billion dollars.

TABLE 1-2: VOLUME OF BUSINESS

Dollar Amount of Revenue	1969
Less than $100,000,000	134
Between $100,000,000 and $250,000,000	121
Between $250,000,000 and $500,000,000	103
Between $500,000,000 and $750,000,000	68
Between $750,000,000 and $1,000,000,000	34
More than $1,000,000,000	140
Total	600

TABLE 1-1: INDUSTRIAL GROUPS REPRESENTED

Foods:	1969	1968	1967	1966
Meat products	9	10	8	10
Dairy products	5	5	5	6
Canning, etc.	6	7	8	8
Packaged and bulk (principally grain and flour)	17	17	18	17
Baking	4	4	5	6
Sugar, confections, etc.	8	9	10	11
Beverages	8	8	11	10
Tobacco products	8	8	9	10
Textiles, apparel manufacturing, etc.	30	29	28	26
Paper products, packaging	19	19	20	20
Printing, publishing	5	5	7	8
Chemicals	28	32	30	29
Drugs, cosmetics, soap, etc.	22	22	18	17
Petroleum	24	25	26	26
Rubber products, etc.	11	10	10	11
Shoes, — manufacturing, merchandising, etc.	9	9	7	7
Building:				
Cement	5	7	6	4
Roofing, wallboard	9	9	8	9
Heating, plumbing, air conditioning	6	6	6	6
Other	17	18	17	17
Steel and iron	24	25	26	31
Metal—nonferrous	9	9	10	12
Metal fabricating	14	15	20	18
Machinery, equipment and supplies	36	36	39	47
Electrical equipment, appliances	11	10	11	12
Electrical, electronic equipment	36	37	36	34
Business equipment and supplies	11	9	10	10
Containers—metal, glass, etc.	8	8	8	6
Autos and trucks (including parts, accessories)	22	24	23	24
Aircraft and equipment, aerospace	20	20	19	21
Railway equipment, shipbuilding, etc.	8	9	11	11
Controls, instruments, medical equipment, watches and clocks, etc.	6	10	10	11
Merchandising:				
Department stores	12	12	10	10
Mail order stores, variety stores	6	8	8	8
Grocery stores	21	18	15	11
Other	14	14	12	12
Motion pictures, broadcasting	5	5	5	6
Widely diversified, or not otherwise classified	87	72	70	58
Total	600	600	600	600

TABLE 1-3: WHERE STOCKS ARE TRADED

Exchange or Other	1969	1968	1967	1966
New York Stock Exchange	476	481	497	517
American Stock Exchange	71	69	55	36
Regional stock exchange only	9	11	12	9
Over-the-counter market:				
Daily quotations	42	39	32	32
Weekly quotations only	2	—	4	4
Not actively traded	—	—	—	2
Total	600	600	600	600

WHERE STOCKS ARE TRADED

As shown in Table 1-3, the great majority of the companies included in the survey have securities traded on the major stock exchanges. All the companies selected are registered with the Securities and Exchange Commission and are reported in *Moody's Industrial Manual.* Three hundred and seventy-seven of the companies were included either in *Fortune's* 1970 list of the 500 largest industrial corporations or in its list of the 50 largest merchandising firms.

COMPANY REPORTS

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 advocated the adoption of the natural business year.

A total of 385 of the survey companies had fiscal year endings in December or the weekend nearest to the end of the calendar year. Due to corporate mergers and the additions and deletions made to the 600 reports surveyed, it is difficult to cite a trend in the number of companies adopting a natural business year. Furthermore, it is recognized that the natural business year for many companies coincides with the calendar year. A summary of the months used for fiscal year endings by the 600 survey companies is shown in Table 1-4 for the year under review as well as 1968, 1967, and 1960.

Eight companies changed their fiscal year during 1969—four companies changed from a fiscal year to a calendar year, one company changed from a calendar year to a fiscal year, and three companies changed from one fiscal year to another fiscal year.

Examples are presented below of explanations and disclosures by companies of changes in their fiscal years and of the periods for which financial statements are presented for the year of change.

ACF INDUSTRIES, INCORPORATED

To the Stockholders:

At our last annual meeting we reported to stockholders our decision to change our annual accounting period from an April 30th year to a calendar year ending December 31. This is our first report on the new basis.

Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—In 1969 the Company changed its fiscal year from April 30 to December 31. The consolidated statements of income and earned surplus and the summary of changes in working capital are presented on a comparative basis for the calendar years 1968 and 1969.

AMK CORPORATION

Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—In 1969, the Company adopted the calendar year for financial reporting purposes which conforms with the historical reporting practices of United. During 1968 the Company reported on an October 31 fiscal year basis which conformed with the reporting practices of John Morrell & Co., the Company's then largest subsidiary. The 1968 financial statements have been retroactively restated to a calendar year basis.

TABLE 1-4: COMPANIES FISCAL YEAR ENDINGS

Companies with Year Ending in:	1969	1968	1967	1960
January (*98, 140, 386, 633)	22	23	20	16
February (*265, 269, 424, 563)	12	13	10	10
March (*4, 405, 510, 677)	18	17	13	11
April (*48, 285, 618, 665)	7	8	8	6
May (*249, 487, 651, 691)	9	8	8	6
June (*58, 103, 334, 574)	35	31	36	25
July (*148, 352, 415, 709)	14	13	12	12
August (*316, 428, 587, 656)	17	16	16	16
September (*20, 113, 576, 664)	36	40	36	33
October (*296, 362, 463, 545)	33	35	35	39
November (*220, 303, 694, 700)	12	11	12	20
Subtotal	215	215	206	194
December (*25, 159, 431, 589)	385	385	394	406
Total	600	600	600	600

* Refer to Company Appendix Section

HUDSON PULP & PAPER CORP.
To the Stockholders:

As previously reported to you, the fiscal year of the Corporation has been changed so as to begin on January 1st of each year instead of September 1st as heretofore. The following pages reflect the results of operations for the four month period from September 1, 1969 to December 31, 1969, being the period between the end of the last full fiscal year and the beginning of the first new calendar year, and contain a balance sheet as at December 31, 1969.

Balance Sheet

As at August 31, 1969	As at December 31, 1969

Statement of Income and Retained Earnings
For the four months ended December 31, 1969.

Statement of Source and Application of Funds
For the four months ended December 31, 1969.

Notes to Financial Statements

General: Effective December 31, 1969, the Company changed its fiscal year from August 31 to December 31.

AMERICAN SUGAR COMPANY
To the Shareholders:

The Board of Directors has approved a change in the annual accounting period of the company, effective June 30, 1969, from the calendar year to a fiscal year beginning July 1 and ending June 30. This fiscal year will conform more closely with the natural business cycle of the Spreckels division, and we believe that the change will permit more efficient management planning and control of that operation without affecting the other areas of the company's business.

Consolidated Income and Income Retained for Use in Business

For The Six Months Ended June 30, 1969	For The Six Months Ended June 30, 1968 (unaudited)	For The Calendar Year Ended December 31, 1968

Consolidated Balance Sheets

June 30, 1969	June 30, 1968 (unaudited)	December 31, 1968

Notes to Financial Statements

Note 1: *Principles of Consolidation*—In 1969 the company changed from a calendar year to a June 30 fiscal year. In connection therewith, an adjustment has been made to income retained for use in the business for production costs which would have been absorbed if the company had been on a fiscal period ending June 30. Income for the six months ended June 30, 1968, has not been restated to a June 30 fiscal year basis since the effect of the adjustments, which would have decreased previously reported income by approximately $100,000 after taxes or $.03 per share, is not considered material in relation to net income reported for the period.

The financial statements include the accounts of American Sugar Company and all of its wholly-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Amounts relating to six months ended June 30, 1968, are unaudited.

BROWN SHOE COMPANY, INC.
Financial Review

Fiscal Year: Beginning with 1969 the Company's fiscal year ends on the Saturday nearest to the end of October rather than on October 31.

Statement of Consolidated Financial Position

November 1, 1969	October 31, 1968

Consolidated Earnings and Consolidated Stockholders' Equity

Year Ended November 1, 1969	Year Ended October 31, 1968

DEL MONTE CORPORATION
To Our Shareholders and Employees

This is the first annual report issued since the Corporation changed its fiscal year-end from the end of February to May 31.

Consolidated Statement of Earnings

Year Ended May 31, 1969	Year Ended February 29, 1968

Consolidated Statement of Financial Position

May 31, 1969	February 29, 1968

Consolidated Statement of Changes in Working Capital

Year Ended May 31, 1969	Year Ended February 29, 1968

Notes to Financial Statements

Note B: *Change in Fiscal Years*—By action of the Board of Directors on June 25, 1968 the fiscal years of the Corporation and its subsidiaries were changed to end on May 31 (April 30 in the case of certain foreign subsidiaries) instead of the last day of February.

The results of operations for the transition period March 1, 1968 to May 31, 1968 (which are not indicative of a complete fiscal year because of the seasonal nature of certain operations) were as follows:

Sales and operating revenues	$130,715,000
Earnings retained for use in the business, February 29, 1968	$ 98,212,000
Earnings for the period	2,274,000
Cash dividends paid (does not include $3,160,000 declared May 2, 1968 and paid August 15, 1968)	(3,129,000)
Earnings retained for use in the business May 31, 1968	$ 97,357,000

52-53 WEEK FISCAL YEAR

Table 1-5 shows that 105 companies were using a 52/53 week year in 1969 compared with 84 in 1967. The great majority of companies which use the 52/53 week year select a year end on Saturday or Sunday. The most common method of determining the end of

TABLE 1-5: ENDING OF 52-53 WEEK YEAR

Weekday Selected for End of Year	1969	1968	1967
Saturday (*48, 405, 675, 714)	77	72	63
Sunday (*207, 318, 567, 690)	25	20	16
Friday (*148, 321)	2	2	3
Wednesday (*285)	1	1	2
Total	105	95	84
Method for Determining End of Year			
Selected weekday nearest end of month (before or after)	27	39	40
Last selected weekday in month	21	30	22
Other, or not determinable	57	26	22
Total	105	95	84

* Refer to Company Appendix Section.

the fiscal year is to select the Saturday (or Sunday) nearest the last day of the month; the next most common is to select the last Saturday (Sunday) of the month.

COMPARATIVE STATEMENTS

Chapter 2, Section A of *Accounting Research Bulletin 43,* released in 1953 by the committee on accounting procedure of the American Institute of Certified Public Accountants, states in part:

> 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. . . .

All of the survey companies presented comparative 1968 amounts in their 1969 balance sheets. Only one company failed to present a comparative income statement. Furthermore, 122 companies omitted comparative amounts for one or more of their statements of source and application of funds, additional capital, retained earnings, and stockholders' equity.

ROUNDING OF AMOUNTS

Of the 600 companies covered in this survey for 1969, 213 presented their customary statements with figures stated to the nearest thousand dollars. Of the 213 companies presenting statements with figures rounded to the nearest thousand dollars, 148 companies rounded by showing the three zeros; the remaining 65 companies rounded by omitting the three zeros and stating the figures under a caption indicating "thousands of dollars."

The trend toward presentation of figures in thousands of dollars may be observed from Table 1-7.

Four companies stated their figures in millions of dollars, omitting the last six zeros, but showing figures to the nearest hundred thousand by using a decimal.

TABLE 1-6: COMPARATIVE CUSTOMARY STATEMENTS

Number of Companies with:	1969	1968	1965	1960
All statements comparative	478	458	516	437
All statements comparative except Statement of Source and Application of Funds	86	96		
Other presentations with some statements in comparative form	36	45	68	83
No statements in comparative form	0	1	16	80
Total	600	600	600	600

TABLE 1-7: ROUNDING OF AMOUNTS

	Number of Companies*	1969	1968	1965	1960
	Showing amounts to nearest dollar	380	413	508	556
	Showing amounts to nearest thousand dollars:				
A:	Presenting 000	148	132	70	20
B:	Omitting 000	65	48	17	5
C:	Other rounding	6	6	1	0
	Showing cents	1	1	4	19
	Total	600	600	600	600

* Refer to Company Appendix Section—A: 9, 177, 225, 382, 441, 618; B: 39, 113, 256, 377, 502, 628; C: 126, 169, 233.

NOTES TO FINANCIAL STATEMENTS

The committee on auditing procedure of the American Institute of Certified Public Accountants, in its *Statements on Auditing Procedure No. 33,* issued in 1963 (pages 54-55 and 71-72), discusses the necessity for adequacy of informative disclosure in financial statements. 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.

TABLE 1-8: NOTES TO FINANCIAL STATEMENTS

Method of Referral*	1969	1968	1965	1960
General reference on financial statements:				
A: Without direct references	161	164	129	78
B: With direct references at applicable captions	386	348	435	459
No general reference:				
C: Direct reference at applicable caption	43	75		
D: No reference to notes	10	13	18	43
No notes presented	—	—	18	20
Total	600	600	600	600

* Refer to Company Appendix Section—A: 57, 190, 233, 347, 401, 516; B: 225, 306, 422, 509, 648, 714; C: 6, 122, 414, 574; D: 41, 631, 683.

All companies in the survey group submitted notes to financial statements. The method of referral from the statements to the notes is summarized in Table 1-8. Ninety percent of the companies had a general reference to the accompanying notes on the financial statements. In addition to the general reference, a direct reference to identified notes was made in captions on the financial statements by 64 percent of the companies. Twenty-six percent of the companies presented only a general reference.

The most popular heading for the notes is *Notes to Financial Statements.* Other expressions used for heading are illustrated throughout this survey.

Notes on specific topics are illustrated in this book in the sections dealing with such topics, and may be found by reference to the Subject Index. Some examples of general references follow:

ALLIED CHEMICAL CORPORATION
The Other Financial Data and Notes to Financial Statements on pages 14-16 are an integral part of these statements.

ATLAS CHEMICAL INDUSTRIES, INC.
See statement of the Company's accounting principles on pages 7 and 8, and the accompanying notes to the financial statements on page 13.

BURLINGTON INDUSTRIES, INC.
The financial review on pages 15, 16 and 17 and the accompanying notes are integral parts of these financial statements.

CELANESE CORPORATION
The accompanying notes and the information presented on pages 18 and 19 are integral parts of these financial statements.

DEERE & COMPANY
The notes to the consolidated financial statements on page 18 and the financial review on pages 10 through 13 are an integral part of this statement.

GENERAL MILLS, INC.
See accompanying statement of accounting methods and notes to consolidated financial statements on following pages.

GENESCO INC.
This page should be read in conjunction with the Financial Review on pages 29, 30, 31 and 32.

KEYSTONE CONSOLIDATED INDUSTRIES, INC.
The accompanying notes are an integral part of the financial statements.

NATIONAL BISCUIT COMPANY
Financial statements should be read in conjunction with the notes to financial statements on pages 14 and 15.

SEARS, ROEBUCK AND CO.
See accompanying detail and notes to financial statements on pages 19 and 21.

FINANCIAL PRESENTATIONS NOT COVERED BY AUDITORS' REPORTS

About 90 percent of the annual reports in this survey contain a highlights presentation and a historical sum-

TABLE 1-9: FINANCIAL PRESENTATIONS NOT COVERED BY AUDITORS' REPORT

Significant Frequently Used Words in Title of Historical Summary	1969	1968
Summary	257	239
Financial	234	211
Review (or record)	116	123
Comparative (or comparison)	82	84
Statistics (or statistical)	59	56
Highlights	44	40
History (or historical)	22	20
Period Covered by Summary		
More than 10 years	32	20
10 years	323	353
5 years or more, but less than 10	179	158
No historical summary presented	66	69
Total	600	600
Information Furnished		
Combined statement of balance sheet and operating data	489	480
Operating data only	45	51
No historical summary presented	66	69
Total	600	600
Highlights of Operations—Title Used*		
A: Financial Highlights	234	223
B: Highlights	114	200
C: Other Titles Using Term "Highlights"	79	
D: The Year in Brief, Results in Brief, In Brief, etc.	48	53
E: Other	76	66
No presentation of highlights	49	58
Total	600	600

* Refer to Company Appendix Section—A: 62, 107, 174, 272, 436, 549; B: 10, 229, 374, 445, 563, 706; C: 51, 206, 245, 253, 333, 402, 606; D: 172, 249, 429, 578, 618; E: 67, 111, 188, 525, 632.

mary. In most cases, these presentations of financial data are not covered by the auditors' report. The highlights are usually presented on the back of the front cover or on the first or second page of the report and almost invariably include data for two or more years. The historical summary is frequently found immediately preceding or immediately succeeding the financial statements covered by the auditors' opinion and always includes financial data for no less than five consecutive preceding years. A summary of the titles used for each of these presentations and the number of years covered by the historical summary is presented in Table 1-9.

Examples of Titles Used for Historical Summaries of Financial Data

ABBOTT LABORATORIES
Ten Year Summary of Selected Financial Data

APCO OIL CORPORATION
Summary of Financial and Operating Data

BELDING HEMINWAY COMPANY, INC.
Ten Year Financial Comparison

CITY STORES COMPANY
Historical Comparison

CUMMINS ENGINE COMPANY, INC.
Consolidated Ten Year Summary

DAYCO CORPORATION
A Five-Year Comparative Growth Summary

M. H. FISHMAN CO. INC.
Ten-Year Summary
Dollars in Thousands (except per share amounts).

GAF CORPORATION
Five Year Financial Summary
Dollars in thousands except per share figures.

THE B. F. GOODRICH COMPANY
**Five Year Summary (1965-1969)*
Dollars in thousands except amounts per share.
*Restated to include Ameripol, Inc.

HEWLETT-PACKARD COMPANY
Ten-Year Consolidated Summary
Dollars amounts in thousands, except per share figures.

INTERNATIONAL BUSINESS MACHINES CORPORATION
Ten-Year Comparative Consolidated Statement of Operations

KRAFTCO CORPORATION
Ten Year Summary
Dollars amounts shown in thousands.

S. S. KRESGE COMPANY
10-Year Financial Review
Dollar amounts shown in thousands.

THE MACKE COMPANY
Years of Growth
000 omitted

THE MAY DEPARTMENT STORES COMPANY
Ten Year Performance Record

OLIN CORPORATION
Five-Year Financial Summary

PIPER AIRCRAFT CORPORATION
Ten Year Review

SAFEWAY STORES, INCORPORATED
Financial Highlights and Ten-Year Summary

THE SINGER COMPANY
Financial Summary

THE SUPERIOR OIL COMPANY
Seven-Year Financial Summary
Dollar amounts in thousands except where noted.

THE WURLITZER COMPANY
Financial Highlights
A Five Year Comparison

Examples of Titles Used for Financial Highlights

THE ANSUL COMPANY
Operating Highlights

THE BOEING COMPANY
Highlights

THE CARBORUNDUM COMPANY
Financial Highlights 1969

INTERNATIONAL MILLING COMPANY INC.
Financial Summary Year Ended February 28, 1969

IOWA BEEF PACKERS, INC.
Business in Brief

THE MAGNAVOX COMPANY
Financial and Growth Highlights

SUPERMARKETS GENERAL CORPORATION
Summary of Financial Highlights

TECUMSEH PRODUCTS COMPANY
Financial Position

VARIAN ASSOCIATES
The Year in Brief

WHEELING-PITTSBURGH STEEL CORPORATION
A Brief Analysis

ACCOUNTING POLICIES

RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS

Three hundred and thirty-six of the survey companies restated some or all of the prior year's figures in one or more of their customary financial statements. Table 1-10 shows the various reasons for restatements affecting the beginning balance of retained earnings and for restatements involving the reclassification of income statement accounts. Examples of restatement references follow.

TABLE 1-10: RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS

Changes Affecting Opening Balance of Retained Earnings	1969	1968	1967	1965
Poolings of interests	150	163	114	49
Prior years' taxes	14	52	53	38
Litigation	11			
Change in consolidation policy	8			
Other	33			
Reclassifications Within the Balance Sheet	101	149	83	77
Reclassifications Within the Income Statement				
Item previously applied directly to retained earnings shown as extraordinary charge (credit)	7	14	18	3
Income taxes reclassified as cost or expense	27	57	19	70
Change from multi-step to single-step	21			
Other	61			
Total Presentations	433	435	287	237
Number of Companies				
With comparative prior year statements restated	336	352	242	208
With comparative prior year statements not restated	264	247	356	372
Without comparative prior year statements	0	1	2	20
Total	600	600	600	600

(For 1968, 1967 and 1965, the figures 52, 53, 38 are bracketed totals for Prior years' taxes, Litigation, Change in consolidation policy and Other; 57, 19, 70 are bracketed totals for Income taxes reclassified, Change from multi-step to single-step and Other.)

AMERADA HESS CORPORATION
Notes to Consolidated Financial Statements

Note 2: Accounting for Merger—Effective June 20, 1969, Hess Oil & Chemical Corporation was merged into Amerada Petroleum Corporation and the name was thereupon changed to Amerada Hess Corporation. Under the terms of the merger, each share of Amerada common stock became one share of $3.50 cumulative convertible preferred stock, except for Amerada shares held by Hess which were cancelled. Each share of Hess common stock became one share of Amerada Hess common stock. The transaction was treated as a pooling of interests for accounting purposes, and the accompanying consolidated financial statements have been adjusted to give effect to such accounting treatment. Net income for 1968 was restated as follows:

Net income as previously reported	
Amerada	$65,565,682
Hess	28,190,549
Merger adjustments	
Elimination of dividend income received by Hess on Amerada common stock (net of tax)	(3,415,417)
Adjustments to conform accounting practices	200,812
Acquisitions on pooling of interests basis	46,587
Net income as restated	$90,588,213

BOBBIE BROOKS, INCORPORATED
Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Material intercompany items and transactions have been eliminated in consolidation.

The accompanying statement of operations reflects, as "loss from discontinued operations", the operating results of divisions discontinued in both the current and prior year. The net sales of such divisions were $6,680,729 in fiscal 1969 and $13,788,147 in fiscal 1968. The 1968 statement has been recast, with no effect on net loss, to reflect as "extraordinary items" certain charges previously included in normal operations.

BRISTOL-MYERS COMPANY
Notes to Consolidated Financial Statements

Provision for Estimated Settlement of Litigation—The Company has estimated that its liability under the present program looking toward the settlement of treble damage litigation against the Company, American Cyanamid Company, Chas. Pfizer & Co., Inc., The Upjohn Company, and Squibb Beech-Nut, Inc., plus related costs and expenses, will amount to approximately $21,800,000. This amount has been charged to operations (net of applicable income taxes) for the years 1957 through 1961. Accordingly, the balance of Retained Earnings and certain asset and liability accounts at December 31, 1968 have been restated from amounts previously reported to reflect, retroactively, this charge. During 1969 approximately $14 million was paid into an escrow account for the benefit of claimants. Possible additional liability for claims not covered by the present settlement program will not materially affect the financial position of the Company.

COLGATE-PALMOLIVE COMPANY
Notes to Financial Statements

Note 9: Accounting for Income Taxes—Before 1969, future tax benefits resulting from deferral of the tax deductibility of estimated provisions for certain liabilities were netted against the related liability or accrued taxes on income. These provisions relate primarily to staff leaving indemnities and other reserves associated with foreign operations and accrued marketing expenses.

In accordance with revisions in financial reporting requirements, the tax benefits related to current liabilities have been included in prepaid income taxes and other expenses, and the tax benefits related to deferred liabilities less deferred United States and foreign taxes have been included in deferred income taxes and other assets in the consolidated balance sheet as of December 31, 1969. In addition, certain prepaid expenses formerly classified as other assets have been included in current assets. The consolidated balance sheet as of December 31, 1968 has been similarly restated.

CURTISS-WRIGHT CORPORATION
Notes to Financial Statements

Note 3: Federal and Foreign Income Taxes—The Corporation follows the practice of reducing the annual provision for federal income taxes by the entire amount of investment tax credits allowed which was $1,224,000 in 1969 and $940,000 in 1968.

Deferred federal income taxes have been provided in recognition of timing differences in reporting certain items of income and expenses in the Corporation's financial statements and tax returns. In accordance with current pronouncements of the Accounting Principles Board, the tax effect of these timing differences have been reflected on the accompanying balance sheets as net current deferred taxes ($2,584,000 and $3,278,000 at December 31, 1969 and 1968, respectively included in federal income taxes recoverable) and net noncurrent deferred taxes. For comparative purposes, fed-

eral income taxes recoverable, deferred, and liability for federal income taxes as previously reported at December 31, 1968 have been reclassified.

The effect of deferred taxes on the provisions for income taxes in the accompanying statements of earnings is as follows:

	1969	1968
Taxes currently payable	$8,100,000	$7,500,000
Increase (decrease) in deferred taxes	(1,300,000)	1,000,000
	$6,800,000	$8,500,000

THE GRAND UNION COMPANY
Notes to Financial Statements

Note 10: *Statement Presentation*—Effective March 1, 1969, the company has classified prepaid expenses and operating supplies as a current asset. In addition, income taxes have been classified in a manner to comply with a recent opinion of the Accounting Principles Board. The prior period financial statements have been reclassified for comparability.

EX-CELL-O CORPORATION
Notes to Consolidated Financial Statements

Note 1: The consolidated financial statements include the accounts of Ex-Cell-O Corporation and all wholly-owned domestic and foreign subsidiaries. Investments in two non-consolidated majority-owned foreign subsidiaries are adjusted annually for the Company's proportionate share of earnings or losses; investments in other affiliated companies are carried at cost.

During 1969, the Company made certain changes in account classifications to provide for a realignment of product lines which in the opinion of Management more accurately represent their current diversification. Accordingly, the financial statements for 1968 have been restated to reflect these and other reclassifications. Additionally, earnings per share for 1968 have been restated to reflect a computation based on the average number of shares outstanding during the year.

FOOD FAIR STORES, INC.
Notes to Financial Statements

Note 6: In conformity with the requirements of Accounting Principles Board Opinion No. 11, the tax benefits of net operating loss carryovers relating to certain subsidiaries which previously had been deducted from the current tax provision, are now credited as an extraordinary item. For comparative purposes, and without affecting net income, the appropriate accounts have been restated for the fifty-two weeks ended April 27, 1968.

HOLLY SUGAR CORPORATION
Notes to Financial Statements

Note 2:*Net Sales*—Net sales for the fiscal years ended March 31, 1969, and 1968 exclude by-product sales. These sales, less related costs, have been credited to cost of sales.

INTERNATIONAL MILLING COMPANY INC.
Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—The consolidated financial statements include the accounts of the Company and all subsidiaries. Accounts of Canadian and other foreign subsidiaries have been translated into U. S. dollars at appropriate rates of exchange. Net assets of such subsidiaries at February 28, 1969 aggregated $36,680,415, including $16,105,178 of net current assets. Net earnings derived from such foreign subsidiaries and approximate 50%-owned foreign companies were $3,649,883 for fiscal year 1969 (see Note 2) and $2,637,268 (unaudited) for fiscal year 1968, after provision for deferred taxes on anticipated remittances of foreign earnings.

In previous reports, Canadian dollar operating figures were included in the statement of consolidated earnings at one Canadian dollar equals one U. S. dollar with an adjustment in miscellaneous deductions to convert such net earnings to their U. S. dollar equivalent. Comparative operating figures for 1968 have been restated (with no effect on previously reported net earnings) on a fully translated basis to conform to the 1969 presentation. Balance sheet and operating figures previously presented on a net of tax basis have also been reclassified to show deferred income taxes separately.

RALSTON PURINA COMPANY
Summary of Accounting Principles and other Financial Data

Income Taxes (in part)—The provision for income taxes includes federal, foreign and state taxes. Previously state income taxes were included in administrative, research, distribution, and general expenses. The prior years' figures have been restated to give effect to this change in classification.

REYNOLDS METALS COMPANY
Notes to Consolidated Financial Statements

Note A (in part): *Principles of Consolidation and Carrying Amounts for Unconsolidated Subsidiaries and Associated Companies*—The accounts of the Company and wholly owned subsidiaries (except finance companies) and Canadian British Aluminium Company Limited (CBA), approximately 84% owned subsidiary, are included in the consolidated financial statements. An additional investment during 1968 in CBA, which previously was an associated company, resulted in it becoming an unconsolidated subsidiary. Its fiscal year was changed from July 31 to December 31 and its accounts were consolidated initially at January 1, 1969. However, for purposes of comparison, the consolidated balance sheet at December 31, 1968 has been restated to include the accounts of CBA.

USM CORPORATION
Notes to Consolidated Financial Statements

Note C: Hanover Litigation Settlement—On June 17, 1968, the Supreme Court reversed the judgment of the Court of Appeals for the Third Circuit in The Hanover Shoe, Inc. case and remanded the case for further proceedings consistent with its opinion, which in effect, reinstated the award by the District Court against the company.

This litigation was settled with Hanover for $6,100,000 and has been reflected, net of related tax benefit, as a prior adjustment to retained earnings.

CHANGES IN ACCOUNTING PRINCIPLES

Table 1-11 summarizes the changes in accounting principles disclosed by the survey companies and the manner in which such changes were reflected in the financial statements. The most frequent change was a change in depreciation policy—usually from an accel-

TABLE 1-11: CHANGES IN ACCOUNTING PRINCIPLES

Accounting Principle Changed	1969
Depreciation policy	35
Consolidation policy and valuation of investments	34
Deferred tax accounting	17
Capitalization of expenditures	16
Inventory valuation	15
Other	25
Total	142
Presentation in Financial Statements	
Retroactive restatement	51
Retained earnings adjusted	10
No adjustment of prior years:	
Effect on prior years disclosed	8
Effect on current year disclosed	73
Total	142
Number of Companies	
Disclosing changes in accounting principles	121
Not disclosing changes in accounting principles	479
Total	600

erated method to the straight-line method. Examples of changes in accounting principles are shown below and in connection with Table 6-9.

Depreciation Policy

AMERICAN BILTRITE RUBBER CO., INC.
Notes to Consolidated Financial Statements

Note H: Depreciation and Amortization—The provision for depreciation and amortization of plant and equipment amounted to $4,266,659 in 1969 and $5,098,861 in 1968. In 1969, the Company changed its method of providing depreciation for financial statement purposes from accelerated methods used in the prior year to the straight-line method with respect to a substantial portion of its depreciable assets. As a result of this change, net earnings in 1969 were increased by approximately $350,000 or an increase in primary earnings of approximately $.12 per share.

AMERICAN ENKA CORPORATION
Notes to Consolidated Financial Statements

Note 5: Depreciation and Deferred Taxes—Effective with the beginning of the year, the Company changed from the double-declining balance to the straight-line method of computing depreciation of substantially all fixed assets for financial statement purposes. The Company continues to use the guideline procedure and accelerated methods for tax purposes and to defer resulting tax benefits. As a result of the change, net income for fiscal 1969 was increased by $2,380,000 or $.30 a share.

COPPERWELD STEEL COMPANY
Notes to Financial Statements

Note 3: The change in 1969 as to computing depreciation for financial reporting purposes, the Company's practices as to computing depreciation for income tax purposes and for providing deferred income taxes, and the amount of investment credit applied to reduce the tax provision are set forth in Depreciation and Investment Credit.

Review of 1969

Depreciation and Investment Credit—The provision for depreciation in 1969 was $2,797,125, compared with $4,973,621 in 1968.

At the beginning of 1969, the Company changed its method of computing depreciation from the "sum of the years digits" method to the "straight-line" method which allocates total depreciation equally over the estimated life of the asset. The effect of this change was to increase earnings for 1969 by $918,852, equal to $0.38 per share.

For the purpose of determining its federal income tax liability, the Company, since 1962, has calculated depreciation allowances on the basis of guideline lives established by the United States Treasury Department. Use of guideline depreciation allowances, which are in excess of the provision for depreciation recorded on the books, does not affect the Company's earnings, but results in deferring the payment of a portion of federal income tax liability to later years. The Company also provides deferred taxes for other significant transactions that are included in different periods for financial and tax reporting purposes.

The Internal Revenue Service has proposed a change in the guideline depreciation allowances claimed in the Company's federal income tax returns for 1962, 1963 and 1964. The Company has protested this proposal. Any resultant additional liability will be offset by a reduction of federal income taxes deferred.

Consolidation Policy

AVCO CORPORATION
Financial Review

Basis of Reporting: As of November 30, 1969, Avco's finance and insurance subsidiaries, which had previously been fully consolidated, are shown in Avco's statement of consolidated financial position at the cost of Avco's investments plus its share of the undistributed earnings of such subsidiaries since their acquisition. Avco's equity in the earnings of such subsidiaries is reflected in consolidated earnings. Consolidated financial statements for 1968 have been restated to conform to the 1969 treatment; the restatement had no effect on amounts previously shown for consolidated stockholders' equity or net earnings. Combined financial statements for Avco's unconsolidated finance companies (which include their insurance subsidiaries) and combined financial statements for Avco's unconsolidated non-finance insurance subsidiaries are shown separately.

THE CESSNA AIRCRAFT COMPANY
Notes to Consolidated Financial Statements

Note 1 (in part): *Basis of Consolidation*—In 1969, the company included in consolidation the accounts of its wholly-owned foreign manufacturing subsidiary, Cessna Industrial Products Limited (U.K.)—not previously consolidated. For comparative purposes, the 1968 financial statements are restated. Such restatement decreased earnings reinvested in business at October 1, 1967 by $2,118,137 and decreased net earnings for the year ended September 30, 1968 by $12,852 from amounts previously reported.

As of October 1, 1968 Aircraft Radio Corporation, formerly a consolidated wholly-owned manufacturing subsidiary, was merged into the parent company and operates as a division.

The investment in the foreign affiliate is stated at cost, which approximates Cessna's equity in the net assets. Investments in the company's wholly-owned domestic finance subsidiaries, Cessna Finance Corporation and Cessna International Finance Corporation (formed in 1969) are stated at Cessna's equities in the net assets of the subsidiaries and include $2,000,000 of subordinated notes receivable from one of the subsidiaries.

PENNWALT CORPORATION
Notes to Consolidated Financial Statements

Principles of Consolidation (in part): In 1969, Pennwalt exchanged 29,999 shares of its common stock for the business and net assets of Whitford Chemical Corporation, which has been accounted for as a pooling of interests; however, the 1968 consolidated financial statements have not been restated since amounts applicable to Whitford are not significant.

The consolidated financial statements include all significant wholly-owned subsidiaries. In order to conform with this policy, during 1969, the Company made minor changes in its consolidation principles. One foreign subsidiary is being consolidated for the first time in 1969 and certain foreign subsidiaries, previously consolidated, are not being consolidated in 1969. These changes resulted in increased net sales of $4,100,000 in 1969, with an insignificant effect on net earnings.

Valuation of Investments

GRUMMAN CORPORATION
Consolidated Statement of Shareholders' Equity (in part)

	Retained Earnings
Shareholders' Equity at January 1, 1969	$112,056,060
Adjustment of investment in unconsolidated subsidiary from a cost basis to equity in net assets at January 1, 1969 (Note 1)	203,436
Cash dividends paid—$1.00 per share	(7,205,866)
Net income for the year	22,087,714
Shareholders' Equity at December 31, 1969	$127,141,344

Note 1: The consolidated financial statements include all subsidiaries other than a wholly owned financing and leasing company. Effective January 1, 1969, the investment in the unconsolidated subsidiary, previously valued at cost, was adjusted to reflect the Company's equity in the net assets of the subsidiary. Accordingly, consolidated retained earnings at January 1, 1969 have been adjusted to include earnings accumulated in prior years, and consolidated net income for 1969 includes net income of the subsidiary, which is not significant.

LIGGETT & MYERS INCORPORATED
Notes to Financial Statements

Note 1 (in part): *Principles of Consolidation, Acquisitions, etc.*—As of January 1, 1969, the basis of stating investments in unconsolidated foreign subsidiary companies was changed from cost to cost as adjusted to give effect to equity in earnings since dates of acquisition. This change in accounting practice decreased net earnings for 1969 by $1,256,000. The accompanying consolidated financial statements for 1968 were not restated to give retroactive effect to such change since the amount applicable to periods prior to January 1, 1969 is not material.

MOBIL OIL CORPORATION
Financial Review

Earnings and Dividends (in part): Mobil's consolidated income in 1969, before the extraordinary item described below, reached a record of $456.5 million ($4.50 per share), an increase of 6.0% over the previous high of $430.7 million ($4.26 per share) earned in 1968. For purposes of comparison, net income for 1968 has been restated to reflect a change in accounting practice, described in Investments and Long-Term Receivables, which was adopted in 1969. This accounting change increased net income in 1969 by $4.0 million and in 1968 by $2.5 million.

Investments and Long-Term Receivables: Mobil adopted in 1969 the practice of including in net income its equity in the earnings or losses for the year of certain companies owned 50% or less. Previously, only dividends from these companies had been included in earnings. This new practice is limited to companies in which Mobil has a substantial investment and which are directly involved in petroleum or chemical activities.

In addition to the effect on net income described under Earnings and Dividends, the total investment in these affiliates and earnings retained in the business now include Mobil's equity in the undistributed earnings since acquisition of these affiliates, after appropriate adjustments. As a result, earnings retained in the business at the beginning of the years 1968 and 1969 are more than the amounts previously reported by $20.2 million and $22.7 million, respectively.

Mobil's investments in other less-than-majority owned companies continue to be stated at cost less applicable reserves, which is less than its equity in the net assets of such companies. Dividend income from these companies during 1969 amounted to $16 million, approximately equal to the corporation's equity in the earnings of these companies for the year.

SCOVILL MANUFACTURING COMPANY
Notes to Financial Statements

Note A (in part): The consolidated financial statements include the accounts of all subsidiaries of the Company except for three foreign subsidiaries which are not significant. At December 28, 1969, the investments in the fifty percent owned companies have been stated at cost plus equity in net earnings since acquisition. Prior to 1969, such investments were carried at cost, and earnings of these companies were included in the consolidated financial statements only to the extent received as dividends. The effect of this change was to increase net income for 1969 by $296,000. The difference between the carrying amounts and the Company's equity in the net assets of unconsolidated subsidiaries and fifty percent owned companies is not significant.

During 1969, the Company acquired, for cash, 100% interest in Dominion Electric Corporation and 50% interest in an Australian company. The results of operations of the purchased businesses have been included in the accompanying financial statements from dates of acquisition.

Deferred Tax Accounting

HARNISCHFEGER CORPORATION
Financial Notes

Note 3: *Income Taxes*—Federal income tax returns have been examined for the years through 1968. The Company has been assessed additional income taxes for the years 1966 through 1968 for which adequate provision has been made.

In 1969, the Company changed its method of accounting for income taxes in accordance with new tax allocation accounting requirements effective for the Company this year. This change, which related to certain timing differences between financial and tax accounting, had the effect of reducing the provisions for income taxes and increasing net income by $154,000, equal to $.12 per common share.

The provisions for income taxes included in the 1969 Consolidated Statement of Income in the net amount of $940,000 include $764,000 of current tax provisions and $176,000 representing the net effects of timing differences, including the accounting change described above. Current federal tax provisions have been reduced by investment tax credits of $105,000 in 1969 and $130,000 in 1968.

THE WURLITZER COMPANY
Notes to Financial Statements

Note 4: *Changes in Accounting Procedures*—The Company made certain changes in accounting procedures during 1969 to comply with Opinions Nos. 5 and 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants.

The long-term leases under which the Company occupies plant facilities in Mississippi are now accounted for as installment purchases of property and the assets and corresponding liabilities are included in the accompanying balance sheet. The balance sheet as of March 31, 1968 has been restated to include these assets and liabilities on a comparable basis. A further addition of approximately $800,000 to the Mississippi plant facilities is now under construction under similar lease arrangements.

Prior to 1969, the Company provided deferred income taxes on differences in earnings determined for tax and financial accounting purposes resulting from variations in methods of computing depreciation and realized gross profit on installment sales. In 1969, the Company also recorded the income tax effect of the excess of provisions for losses on receivables over amounts expected to be deductible currently.

Net earnings for 1969 were increased approximately $301,000 as a result of these changes in accounting.

Capitalization of Costs

ALLIS-CHALMERS MANUFACTURING COMPANY
Notes to Financial Statements

Note 7: *Accounting Changes*—Effective January 1, 1969, the Company adopted the policy of capitalizing the costs of patterns for financial accounting purposes. The costs of patterns will be depreciated over periods of 4 and 8 years, whereas, prior to 1969, the costs were expensed as incurred. This change resulted in an increase in net income for 1969 of $411,112, equal to $.03 per common share.

As explained in Note 1 to the combined financial statements of the finance subsidiaries on page 31 of this report. Allis-Chalmers Credit Corporation changed its method of recording finance income in 1969. Since the net income of the finance subsidiaries is included in the consolidated income statement of Allis-Chalmers under the equity method of accounting, this change resulted in an increase in consolidated net income for 1969 of $529,207, equal to $.04 per common share.

COLLINS RADIO COMPANY
Notes to Financial Statements

Note 2: *New Product Design*—Increased requirements for total systems which require longer development cycles have resulted in the classification of the cost of new product design as a noncurrent asset. At August 1, 1969, Company sponsored new product design amounted to $10,428,000 net of amortization and customer sponsored effort on equipment for new generation airframes totaled $2,528,000. Company sponsored expenditures include $5,470,000 of deferred research and development relating to new product design which was previously expensed as incurred. With this change in accounting practice, net income and net income per share for the year ended August 1, 1969 have been increased $2,582,000 and 87¢ per share, respectively.

THE MACKE COMPANY
Notes to Financial Statements

Note 3: *Changes in Accounting*—The Company adopted as of October 1, 1968, the practice of capitalizing systems development costs. In addition, in 1969, the practice previously adopted by the parent company of inventorying equipment replacement parts was adopted by major subsidiaries. The effect of these changes was to increase net income by $328,000 (13¢ per share) in 1969.

PHOENIX STEEL CORPORATION
Notes to Financial Statements

Note 4: *Start-Up Costs*—When the Claymont plant's new facilities began operation in October 1968, the generally accepted accounting policy of deferring certain start-up costs was adopted. This deferral was to continue through June 30, 1969, by which time it was anticipated that the plant would be at break-even point or operating profitably. However, production costs far in excess of management's original estimates continued to be incurred through

September 1969. Therefore, after reappraisal of all pertinent facts, management decided it was more prudent and realistic under the circumstances to expense all deferred start-up costs. Accordingly, all such costs, from October 1968 through June 30, 1969 aggregating $6,115,143, were charged to cost of goods sold in September of 1969. Of this amount, $1,686,545 represents costs deferred through December 31, 1968. All similar production costs have been charged against operations since June 30, 1969.

THE SIGNAL COMPANIES, INC.,
Notes to Financial Statements

Note 2 (in part): *Changes in Accounting Methods*—Effective January 1, 1969, The Garrett Corporation (a wholly-owned subsidiary) commenced deferring costs applicable to certain product development programs (large programs which have a relatively long term period between commencement of development and final shipment of expected production orders). Such costs are to be amortized on a unit basis as production shipments are made. As a result of this change in accounting method, net income for the year ended December 31, 1969 was increased by $12,644,000 (equivalent to $.61 a share). At December 31, 1969, such deferred costs amounted to $25,595,000.

A. O. SMITH CORPORATION
Notes to Financial Statements

Note 5: Model changeover costs—In 1969 the Company adopted the policy of deferring model changeover costs (tooling and facility rearrangement related to specific models) and amortizing these costs to operations over the anticipated life of the related model, generally four years. Previously such costs were charged to operations as incurred. As a result of this change in accounting, 1969 net earnings were increased $474,000 ($.19 per share). For income tax purposes, the Company continues to deduct these costs as incurred and deferred federal income taxes have been provided.

Inventory Valuation

GULF+WESTERN INDUSTRIES, INC.
Notes to Consolidated Financial Statements

Note B: Changes in Accounting Methods—Effective August 1, 1968, the Company's wholly-owned subsidiary, Paramount Pictures Corporation, changed its method of amortizing the costs of feature films. The theatrical portion of such costs of feature films released prior to August 1, 1968 is being amortized by a 104-week table, based on the passage of time from date of general release of the films. Commencing with films released in the 1969 fiscal year, such costs are amortized on a picture-by-picture basis in the proportion that the theatrical film rentals realized bear to the estimated total theatrical film rental. At the time that the total revenue estimate indicates a loss from a picture, the full amount of the loss is expensed and inventory costs are reduced by the same amount. In addition, effective with the 1969 fiscal year, abandoned film properties are expensed, rather than allocated to other productions as in prior years. These accounting changes to the individual picture method had the effect of increasing fiscal 1969 cost of goods sold and reducing year-end inventory by approximately $22 million.

Also effective in the 1969 fiscal year, those subsidiaries of the Company which formerly determined the costs of their inventory using the Last-In, First-Out method changed to the First-In, First-Out method which had the effect of decreasing cost of goods sold and increasing year-end inventories by approximately $7 million.

The net effect of the above changes resulted in a reduction of net earnings of approximately $7 million ($.34 a share on a primary basis) for the year ended July 31, 1969.

MASONITE CORPORATION
Notes to Financial Statements

Note 7: Inventories—During the year standard cost systems were introduced at substantially all manufacturing plants as a means of improving our cost control systems. The standards approximate first-in, first-out costs, and the effect of changing from average costs has no significant effect on the accompanying financial statements.

MIDWEST RUBBER RECLAIMING COMPANY
Notes to Financial Statements

Note 2: Change in Accounting Principles—Effective November 1, 1968 the company changed its method of inventory pricing from weighted average cost to LIFO for all inventories, except maintenance supplies and all inventories of its foreign subsidiary, the latter approximating $191,000. This change had the effect of reducing fiscal 1969 net income by approximately $85,000 ($.19 per share), after income tax effect of $95,000.

THE UNITED STATES SHOE CORPORATION
Notes to Consolidated Financial Statements

Note 2: Inventories—Prior to October 31, 1969, one subsidiary used the last-in, first-out (LIFO) method of valuing certain of its inventories for both financial reporting and income tax purposes. In order to conform the inventory pricing procedures of this subsidiary with those of the Company and its other subsidiaries, the Company adopted, as of October 31, 1969, the procedure of reflecting the LIFO inventories on a first-in, first-out (FIFO) basis in the consolidated financial statements. The effect of this change has been applied retroactively and, as a result, consolidated retained earnings at October 31, 1967, have been increased by $476,221, and net earnings for the year ended October 31, 1968, have been decreased by $59,221 ($.01 per share), from amounts previously reported.

WHITE CONSOLIDATED INDUSTRIES, INC.
Notes to Financial Statements

Note B: Inventories—Inventories are priced at lower of cost (principally first-in, first-out) or market and consist of the following:

Finished products, merchandise and service parts	$113,382,708
Manufacturing and contract work in process, raw materials and supplies, less progress billings on contracts of $4,280,867	107,072,319
Total	$220,455,027

In 1969 certain of the Corporation's subsidiaries changed their method of accounting for major long-term construction contracts from the completed contract to the percentage-of-completion method. Under the latter method, income is recognized based on the estimated stage of completion of individual contracts as determined by Corporation engineers. Contract work in process represents the excess of accumulated costs and progress profits over billings on uncompleted contracts.

Accordingly, net sales for 1969 include $62,219,037 of contract revenues related to uncompleted contracts at December 31, 1969, and net income after provision for deferred federal income taxes was increased $2,474,664 or $.24 a share.

Also, in 1969, certain of the Corporation's subsidiaries changed the method of determining cost of certain inventories from the last-in, first-out to the first-in, first-out method. Accordingly, the income after provision for deferred federal income taxes was increased by $883,675 or $.09 a share.

PRODUCT LINE REPORTING

In September 1967, the Accounting Principles Board issued *Statement 2—Disclosure of Supplemental Fi-*

TABLE 1-12: PRESENTATION OF SALES INFORMATION

Sales Information Presented	1969	1968
By product line	152	140
By division or subsidiary	117	65
Total foreign sales	103	53
For sales to government	61	35
For particular industry or type of customer	58	46
By geographic areas	19	32
Total	510	371
Number of Companies		
Presenting information as to source of sales	319	264
Not presenting any such information	281	336
Total	600	600

nancial Information by Diversified Companies. Paragraphs 11, 12, and 13 of the *Statement* follow:

11. For the present, the Board urges diversified companies to review their own circumstances carefully and objectively with a view toward disclosing voluntarily supplemental financial information as to industry segments of the business.

12. An increasing trend by diversified companies to disclose such information is now evident. Specific examples of supplemental disclosures that are being made by some companies at the present time are as follows:

(a) Revenues by industry activity, or type of customer
(b) Revenues and profits by separable industry segments
(c) Separate financial statements of segments of the business which operate autonomously and employ distinctly different types of capital structure, such as insurance or bank subsidiaries of merchandising or manufacturing companies
(d) Revenues by type of industry activity and type of customer, together with a general indication of the profitability of each category
(e) Information that the operations of a segment of the enterprise are resulting in a loss, with or without disclosure of the amount of such loss.

13. The Board believes that the experience derived from voluntary disclosure efforts, together with the conclusions to be derived from research activities and further study, should provide it with a sound basis for making a definitive pronouncement in the future on the need for, and extent of, disclosure of supplemental financial information by diversified companies.

As indicated by Table 1-12, more than one-half of the survey companies disclosed their sources of revenue. The most prevalent method of presenting sales information was by product line. However, there were marked percentage increases in presentations disclosing sales to government, sales by division or subsidiary and total foreign sales. Many companies presented their sales information several ways, e.g., by product line, by geographic area and by type of customer.

Table 1-13 shows the number of companies that disclosed supplemental profit information in their 1969 annual reports. There has been a noticeable increase in the number of companies disclosing profit information. Whereas last year only 131 companies presented profit information, this year 225 companies presented such information. Companies presenting profit information for foreign operation usually disclosed only the total amount of foreign earnings.

TABLE 1-13: PRESENTATION OF PROFIT INFORMATION

Profit Information Presented	1969	1968
Analysis of profits		
Domestic:		
By divisions, departments or subsidiaries	53	26
By product line	30	27
Other	12	3
Foreign:		
Total profit from foreign operations	87	37
Profit analyzed by geographic areas	12	13
Subtotal	194	106
Separate financial presentations for subsidiaries or groups of subsidiaries		
Domestic	48	32
Foreign	17	12
Subtotal	65	44
Comment on segment of business operating at a loss		
Domestic:		
Division or department	24	6
Subsidiary	12	10
Other	4	2
Foreign	10	2
Subtotal	50	20
Total	309	170
Number of Companies		
Presenting supplemental profit information	225	131
Not presenting such information	375	469
Total	600	600

The examples which follow illustrate various methods used to present information as to revenue and profits.

Sales by Division, Product Line, Etc.

THE DOW CHEMICAL COMPANY
World Operations

SALES

	1969 (millions)	1968 (millions)	% Change	1969 % of Total Company
United States	$1,154.6	$1,103.8	+ 4.6	64.2
Europe/Africa	351.1	283.0	+24.0	19.5
Canada	119.9	111.9	+ 7.1	6.7
Latin America	107.5	101.8	+ 5.6	6.0
Pacific	64.0	52.0	+23.1	3.6
TOTAL	$1,797.1	$1,652.5	+ 8.8	100.0

THE BENDIX CORPORATION
Financial Highlights

	1969	
Commercial—Industrial		
Automotive	$ 390,662,000	27%
Automation—Scientific	170,295,000	12%
Aviation	116,229,000	8%
Electronics†	22,325,000	1%
Oceanics	4,886,000	—
Miscellaneous	90,697,000	6%
Total*	$ 795,094,000	54%
Government		
Aviation	$ 338,547,000	23%
Space	176,910,000	12%
Missile	50,850,000	4%
Electronics†	45,489,000	3%
Oceanics	22,735,000	2%
Automation—Scientific	4,628,000	—
Miscellaneous	22,677,000	2%
Total*	$ 661,836,000	46%
Grand Total*	$1,456,930,000	100%

* Excludes royalties and other operating income.
† Not included in other classifications.

GENESCO INC.
To Our Stockholders

Our 1969 activities are condensed in the table below, which breaks down sales by several categories to show relative importance. Figures include intra-company transactions as well as outside sales. Sales in "other countries" include non-consolidated companies some of which are not wholly owned.

1969 Sales	Volume (000,000's omitted)	Percent
By Type of Product		
Clothing and accessories	$ 664	52%
Footwear	420	33%
Materials, components, and other items	187	15%
	$1,271	100%
By Functions		
Manufacturing	$ 780	61%
Retailing	491	39%
	$1,271	100%
By Type of Consumer		
Civilian	$1,241	98%
Military	30	2%
	$1,271	100%
By Geographic Location		
United States of America	$1,219	89%
Other Countries	149	11%
(including non-consolidated sales)	$1,368	100%

JEWEL COMPANIES, INC.
Results in Brief

	1969 % to Total	Fiscal Year 1969	Fiscal Year 1968	% Increase 1969 Over 1968
(Total dollars in thousands except per share figures)				
Sales:				
Supermarkets	75.8%	$1,109,920	$1,016,655	9.2%
Drug Stores	11.0	160,456	135,745	18.2
Direct Marketing Division	5.4	79,672	83,503	(4.6)
Self-Service Department Stores	5.2	76,362	58,991	29.4
Restaurants	1.0	14,963	15,600	(4.1)
Wholesale and other	1.6	22,945	22,225	3.2
Total sales	100.0%	1,464,318	1,332,719	9.9%

NORTHROP CORPORATION
Financial Review

Sales and Earnings—Net sales of Northrop Corporation rose to $561,201,000 for the year just ended—the 5th year of consecutive increases since fiscal 1964. The year's sales were 15.6% higher than in the preceding year. Of particular importance is the fact that sales to customers other than the U.S. Military more than doubled. These sales, as shown in the Financial Highlights, increased from $129,872,000 in fiscal 1968 to $265,841,000 in fiscal 1969. This increase, which amounted to $135,969,000, included $97,213,000 in sales to the Boeing Company, on the 747 and other programs.

The major product areas responsible for the fiscal 1969 sales growth are shown in the following table:

Summary of Sales by Major Product Area

Product Line	Percent	1969	1968
Aircraft	49.6%	$278,364,000	$188,582,000
Communications	15.1	84,508,000	100,009,000
Electronics	19.6	109,873,000	85,706,000
Weaponry	8.8	49,285,000	54,240,000
Space	3.2	18,272,000	21,650,000
Other	3.7	20,899,000	35,317,000
	100.0%	$561,201,000	$485,504,000

SPERRY RAND CORPORATION
Financial Review

Sales: Consolidated sales of products and services for the year ended March 31, 1969 amounted to $1,607,340,388. While this represented only a 3% increase over the previous record level of $1,562,829,216 attained in fiscal 1968, there was a significant change in the makeup of sales during the year. Sales of U.S. military and space products declined $61 million to $431 million, and sales of commercial products increased by $105 million to $1,176 million. This substantial increase in sales to commercial customers was mainly attributable to increased revenues from the sale and lease of Univac data processing equipment. Sales to international customers amounted to $463 million and accounted for $41 million of the increase in commercial sales.

Our principal product category, information handling and retrieval systems, contributed $542 million to our total sales volume, 34%, or an increase of approximately 15% over the prior year. Other major product categories had slight increases or decreases compared with fiscal 1968. Reference is made to the table showing distribution of revenue by major product categories.

Distribution of Revenues (in millions of dollars)	1969		1968	
Information Handling and Retrieval Systems Includes: electronic data processing equipment, computer terminals and peripherals, microfilm and electromechanical filing systems	$ 542	34%	$ 475	30%
Aerospace Includes: flight instruments and controls, radar, hydraulic devices, airborne computers, components, and systems	305	19	323	21
Industrial, Agricultural and Construction Equipment Includes: farm machinery, hydraulic pumps, valves, fluid and mechanical transmissions, materials handling equipment	345	22	324	21
Office Machines and Consumer Products Includes: typewriters, copiers, calculators and personal care products	215	13	207	13
Marine Technologies Includes: surface and underwater navigation and control equipment, sonar, radar, computers, periscopes and hydraulic systems	200	12	234	15
	$1,607	100%	$1,563	100%

THE SINGER COMPANY
Summary of 1969 Operations

Sales of products and services in 1969 totaled $1.902 billion, an increase of 5.7 percent and a record for the Company. Of this amount, sales of household and industrial sewing machines and related items accounted for $672.2 million or 35.3 percent of the total. In 1968 sales of such products were $619.8 million. Sales of other products and services were $1,229.9 million, an increase of 4.3 percent over 1968 sales of $1,178.9 million on a pooling of interests basis.

Revenue from sources other than sales totaled $13.9 million in 1969 as compared with $11.8 million in 1968. The revenue consisted of interest and dividends, rents and royalties, and other income, as shown in the statements of income.

Sales by major product categories were:

	1969		1968	
	(Amounts in Millions)			
	Amount	% of Total	Amount	% of Total
Consumer Products	$ 861.1	45%	$ 805.8	45%
Industrial Products	395.4	21	370.4	21
Office Equipment	243.1	13	218.4	12
Defense & Space Systems	253.5	13	217.4	12
Education & Training Products	149.0	8	186.7	10
Total	$1,902.1	100%	$1,798.7	100%

Sales within the United States accounted for 68 percent of the total in 1969. Sales by major geographical areas were:

	1969		1968	
	(Amounts in Millions)			
	Amount	% of Total	Amount	% of Total
United States	$1,281.9	68%	$1,219.5	68%
Europe	326.2	17	279.8	16
Latin America	119.5	6	125.6	7
Far East	79.1	4	77.9	4
Africa and the Near East	40.9	2	45.7	2
Canada	54.5	3	50.2	3
Total	$1,902.1	100%	$1,798.7	100%

TENNECO INC.
Statement of Consolidated Income

Revenues:	
Operating revenues—	
Machinery, equipment and shipbuilding	$ 861,829,533
Gas sales and transportation	563,357,774
Refined products	258,726,709
Crude oil and condensate	140,341,235
Chemicals	248,963,910
Packaging	257,226,252
Land use and other	120,151,650
	$2,450,597,063
Nonoperating income and expense (net)	42,509,702
	$2,493,106,765

Financial Review

Income By Major Businesses
(Thousands)

	Operating and Nonoperating Revenues 1969	Income* 1969
Manufacturing		
Newport News Shipbuilding	$ 314,144	$ 21,057
Walker Manufacturing	112,058	21,872
J. I. Case	445,836	12,780
Watkins-Johnson (sold in May, 1968)	—	—
Natural Gas Pipelines	561,142	118,826
Oil Production, Refining, Marketing	464,365	56,104
Chemicals	251,390	19,833
Packaging	259,514	22,393
Land Use	82,710	20,770
Investments	22,627	4,651
Intergroup Sales	(17,581)	—
Total	$2,496,205	$ 298,286

* Before interest, federal income taxes, outside stockholders' interest and extraordinary items. *Income must be evaluated in terms of capital investment, which varies widely by type of business.*

Profit by Division, Product Line, Etc.

AMERICAN HOME PRODUCTS CORPORATION
Notes to Consolidated Financial Statements

Note 1: Foreign operations—The financial statements include net foreign assets at December 31, 1969 and foreign net income for the year then ended as shown below. Comparable foreign net income for the year ended December 31, 1968 was $22,178,567 after a provision of $750,375 for foreign losses and exchange adjustments.

	Net Assets	Net Income
Locations:		
Canada	$28,339,914	$ 5,417,981
England, India, Western Europe	27,662,413	11,155,642
Latin America	23,985,284	7,282,791
Australia, New Zealand, South Africa, Far East	8,998,275	3,101,483
	88,985,886	26,957,897
Provision for foreign losses and exchange adjustments	6,300,000	973,937*
	$82,685,886	$25,983,960

* The provision of $973,937, charged to 1969 consolidated net income, brought the balance in the reserve for foreign losses and exchange adjustments to $6,300,000 at December 31, 1969. This reserve had been charged during 1969 with exchange conversion adjustments of $773,937.

Foreign property, plant and equipment and related depreciation, in general, were translated into U.S. dollars at rates of exchange in effect during the year such assets were acquired. All other foreign currency assets and liabilities were translated at rates of exchange prevailing at December 31, 1969. Foreign sales, other income and expenses, in general, were translated into U.S. dollars at rates of exchange prevailing at the end of each month during the year.

BOISE CASCADE CORPORATION
Financial Matters

Reporting results of operations by product line has recently received considerable attention in the financial community. In the following table, we have set out the sources of our sales and income. Interest expense has been attributed directly to the operating groups where direct relationships were demonstrable; the balance of interest expense was allocated on the basis of our investment, net of direct borrowings. Other corporate expenses have been allocated to the operations in proportion to their respective sales.

Operating Results by Major Markets *(in millions of dollars)*

	1969 Sales		1969 Income	
Building materials	$ 362	21%	$ 29	22%
Construction, including housing	550	32	17	13
Recreation	209	12	13	10
Paper products	453	26	33	25
Investment, utility and other	152	9	39	30
	$1,726	100%	$131	100%
Income taxes			(47)	
Extraordinary items			—	
Net income			$ 84	

KIMBERLY-CLARK CORPORATION
Notes to Financial Statements

Basis of Consolidation (in part)—As of December 31, 1969, and for the year then ended, a financial summary of consolidated foreign subsidiaries is as follows:

	(thousands of dollars)		
	Total Assets	Total Sales	Net Income After Minority Interests
Canada	$ 60,367	$ 50,178	$2,027
Europe	66,398	76,882	2,027
Latin America	51,379	34,444	1,600
Far East	10,225	8,491	475
Total	$188,369	$169,995	$6,129
% to total consolidation	21	20	12

CONTINENTAL OIL COMPANY
Financial Review
Summary of Revenues, Earning and Investments by Business Area
(Millions of Dollars)

	Revenues 1969	Contribution to Income Before Extraordinary Items (1) 1969	Investment (2)
Western Hemisphere Petroleum Division			
United States	1,372.5	100.7	810.8
Canada	75.3	9.0	156.1
Other Countries	3.2	2.6	7.7
Subtotal	1,451.0	112.3	974.6
Eastern Hemisphere Petroleum Division	536.2	30.5	284.5
Consolidated Coal Company	276.0	18.8	206.2
Conoco Chemicals Division			
Chemicals and Plastics	170.8	5.3	126.1
Plant Foods	153.8	(3.4)	122.3
Subtotal	324.6	1.9	248.4
Minerals	—	(1.7)	8.3
Corporate(3)	19.1	(15.4)	18.8
Total	2,606.9	146.4	1,740.8

(1) Contributions to income from wholly owned operations are their operating incomes after related income taxes but before an allocation of corporate items such as interest and headquarters expenses. Contributions to income from majority-owned subsidiaries are Continental's equity in their net incomes.

(2) Comprises net property, plant and equipment (including only the Company's share of majority-owned subsidiaries) and investments in and advances to nonconsolidated affiliates.

(3) Includes interest expense and income, corporate administrative expense, investment-tax credit and other items of a general corporate nature.

INTERNATIONAL TELEPHONE AND TELEGRAPH COMPANY
Statement of Consolidated Income

	(Thousands of dollars)
Sales and Revenues	
Manufacturing	$3,108,208
Consumer and business services	2,136,143
Telecommunication utilities	230,392
	5,474,743
Costs and Expenses (including depreciation of $190,197 and $174,739)	
Cost of sales and operating expenses—	
Manufacturing	2,414,162
Consumer and business services	1,637,139
Telecommunication utilities	131,179
Selling and general expenses	842,520
	5,025,000
	449,743
Equity in net earnings of finance subsidiaries	14,360
Income from Operations	$ 464,103

PHILIP MORRIS INCORPORATED
Financial Highlights

Operating Income:	
Philip Morris U.S.A.	$106,435,000
Philip Morris International	38,717,000
Philip Morris Industrial	5,392,000
Miller Brewing Company (2)	2,693,000
Consolidated Operating Income (3)	$153,237,000

(2) Represents Philip Morris' equity of approximately 53% since July 1, 1969.

(3) Corporate expense, interest, other items and income taxes, which are not directly attributable to the operating companies, are not allocated since any allocation thereof would be arbitrary.

METRO-GOLDWYN-MAYER INC.
Consolidated Statements of Income (Loss) (in part)

	1969	1968
Income:	(in thousands)	
Feature films and shorts—		
Theatrical distribution	$131,973	$134,677
Television distribution	25,893	27,455
	157,866	162,132
Television programs	6,855	18,059
Records and tapes	20,431	23,385
Music publishing	6,144	6,236
Other income	1,028	480
	$ 192,324	$210,292
Expenses:		
Feature films and shorts—		
Amortization and other film costs	$ 132,723	$ 70,461
Share of rentals to participants	11,107	13,088
Selling, advertising and administrative expenses	67,460	57,062
	$ 211,290	$140,611
Television programs	6,847	16,830
Records and tapes	34,397	27,386
Music publishing	4,163	4,140
Interest expense	7,564	4,634
	$ 264,261	$193,601
Income (loss) before taxes and extraordinary items	$(71,937)	$ 16,691

NATIONAL DISTILLERS AND CHEMICAL CORPORATION
Divisional Operating Profit and Return on Investment

	Operating Profit (Note 1) 1969	Investment (Note 1) 1969	% Return on Investment 1969
	(000 omitted)		
Divisions (Note 2):			
Liquor	$48,020	$287,000	17
Chemical	12,945	167,000	8
Bridgeport Brass	22,198	106,000	21
International (Note 3)	1,266	43,000	3
Almadén Vineyards	4,801	31,000	15
Textile	7,044	44,000	16
Totals	$96,274	$678,000	14

Notes: 1. In the above summary, divisional operating profit is the total of "Operating profit of divisions" and "Share of net earnings of 50-per-cent-owned affiliates," which appear as separate items in the consolidated statement of income. Divisional operating profit does not include corporate items of income and expense which are shown in the consolidated statement of income as corporate and general expense, interest on long-term debt, and other income, net. Divisional investment does not include corporate items of net cash and equivalent in excess of division requirements, certain corporate investments, long-term receivables, and long-term domestic debt.

2. Sales of 50-per-cent-owned affiliates are not included in consolidated net sales. The Company's investment in and share of net earnings of these affiliates have been allocated to appropriate Divisions.

3. International Division investment is after deducting foreign currency long-term debt.

U. S. PLYWOOD-CHAMPION PAPERS INC.
Financial Review

Contributions of Principal Products—Contribution to sales and operating profit, before income taxes, of the company's principal products for the past two years were:

Sales (in millions of dollars)	1969	1968
Building Materials	$ 730.3	$ 679.6
Paper, Distribution, and Converting	539.1	510.9
Interior Furnishings	180.5	169.0
All other	5.6	3.4
Total	$1,455.5	$1,362.9

Operating Profit Before Income Taxes (in millions of dollars)	1969	1968
Building Materials	$ 78.0	$ 62.8
Paper, Distribution, and Converting	40.7	43.1
Interior Furnishings	20.2	21.4
General Corporate Expenses	(17.1)	(11.7)
Total	$ 121.8	$ 115.6

XEROX CORPORATION
Financial Review

International Operations Continue Rapid Growth—Total operating revenues and net income derived from our operations outside the United States set records in 1969. Net income, after deducting outside shareholders' interests, was $44.8 million, up 52%, or $15.4 million, from 1968. This was 28% of consolidated net income in 1969, compared to 23% a year earlier. International revenues totalled $397.0 million in 1969, compared with $303.6 million the prior year, up 31%, or $93.4 million. Revenues from operations outside the United States accounted for 27% of our consolidated total operating revenues, versus 25% in 1968.

At the end of 1969, Xerox equity in net assets outside the United States amounted to $161.1 million, up $20.7 million, or 15% over the 1968 figure.

Our largest overseas interest continues to be Rank Xerox, which accounted for 75% of foreign revenues and 78% of foreign net income. Our share in net earnings of Rank Xerox for its fiscal year ended October 31, 1969 amounted to $35.1 million, an increase of $10.9 million, or 45%, over the $24.2 million for the prior fiscal year. Cash dividends received from Rank Xerox in 1969 totalled $21.3 million, compared with $14.9 million in 1968, up 43%.

Revenues from our other international operations, primarily in Latin America and Canada, totalled $97.8 million, up 30% from 1968. Net income was $9.7 million, an 87% gain over 1968.

Summarized below are the operating results and financial position of our businesses outside the United States.

	International Operations (Millions of Dollars)		
	Rank Xerox 1969	Other 1969	Total 1969
OPERATING RESULTS			
Total Operating Revenues	$299.2	$97.8	$397.0
Net Income Before Deduction of Outside Shareholders' Interests	$ 57.7	$10.9	$ 68.6
Outside Shareholders' Interests	22.6	1.2	23.8
Net Income	$ 35.1	$ 9.7	$ 44.8
FINANCIAL POSITION			
Current Assets	$153.4	$33.8	$187.2
Equipment and Other Assets	264.6	51.9	316.5
Total Assets	$418.0	$85.7	$503.7
Current Liabilities	$154.1	$16.6	$170.7
Other Liabilities	89.4	12.0	101.4
Outside Shareholders' Interests	67.8	2.7	70.5
Xerox Corporation Equity	106.7	54.4	161.1
Total Liabilities and Shareholders' Equity	$418.0	$85.7	$503.7

The foreign results have been translated from the respective foreign currencies into U.S. dollars, in accordance with accounting conventions normally applied in the United States. Consequently, financial statements prepared in local currencies do not translate into dollars at current exchange rates. Our extensive international operations necessarily involve exposure to fluctuations in the values of foreign currencies in relation to the U.S. dollar. We continually evaluate and, when appropriate, protect ourselves against possible exchange losses in countries where devaluations may occur. Protective measures include borrowing in foreign currencies and entering into forward exchange contracts.

Comment on Segment of Business Operating at a Loss

ADAMS-MILLIS CORPORATION
President's Report

MAC Panel Company—Continuing severe price competition in the computer peripheral equipment market and disrupted production schedules brought about by technological changes in the industry resulted in lower sales and an operating loss for MAC Panel Company in 1969.

Industry demand for both computer tape and disk packs, MAC Panel's principal products, showed steady improvement last year. However, several adverse factors, carried over from 1968, took their toll. These included lower government sales, greater competition, unstable prices and the "error-free" disk pack. The introduction of the "error-free" pack caused material production and shipment delays at MAC and thus provided an important lead time selling advantage to several major competitors.

AMERICAN AIR FILTER COMPANY, INC.
To Our Shareholders

Sales to the United States Defense Department and related government agencies were slightly less than 10 percent of 1969 sales as outlined above. For the year, defense business was a negative factor with losses of approximately 16 cents per share resulting from several contracts with an unsatisfactory cost-price relationship. These contracts, which have been completed, had impact primarily in the first three quarters of 1969.

INDIAN HEAD INC.
To the Stockholders

Information Handling Services, a small division in a new and growing field, operated at a loss again. This venture has been a disappointment thus far. However, several important developments encourage us to believe that it will show improvement and begin to realize its long-range growth potential in 1970.

LIGGETT & MYERS INCORPORATED
Cigarette and Tobacco Division

Liggett & Myers has equity positions in cigarette manufacturing companies, in Argentina, Brazil, Mexico, Peru, Switzerland and West Germany. In Brazil, Switzerland and West Germany, where we have majority equity positions, we incurred losses in 1969 from substantial reorganization and start-up costs. These expenditures should place us in a better growth position in these countries.

J. J. NEWBERRY CO.
To Our Shareholders

Net income was $5,073,229, equivalent to primary earnings per share of $2.40 compared to $5,456,641 or $2.59 a share for the year ended January 31, 1969.

This decrease in net income is due to losses sustained by two of our Canadian chains, which offset increased earnings in the United States. Indeed, for the year ended January 31, 1970, primary earnings per share from United States operations rose to $2.97, compared to $2.53 for the prior fiscal year, a gain of 17.4%. On the other hand, Canadian operations showed a loss of 57 cents per share in fiscal 1970, compared to a profit of 6 cents for the prior fiscal year, principally because of inventory and personnel problems of United Stores and Oslind Shoppes.

STUDEBAKER-WORTHINGTON, INC.
To Our Shareholders

During the year, certain trouble spots developed against which we have taken corrective measures. Our European operations, for example, had a most unsatisfactory year, having reported a net loss. We attribute this to an organization structure which impaired communications between the European divisions and their respective product-related domestic divisions. To correct this inadequacy, we have eliminated the European headquarters, which formerly had profit responsibility for all European operations. Our European plants now report directly to the appropriate American division presidents, thus, in effect, creating world-wide companies for the manufacture, respectively, of pumps, compressors and turbines. Additionally, we incurred substantial losses in turnkey construction projects outside the continental United States. We have decided to severely restrict activities of this kind, unless the particular undertaking provides an attractive profit opportunity with minimal risk of loss.

CONSOLIDATION OF SUBSIDIARIES

The committee on accounting procedure of the American Institute of Certified Public Accountants discussed in *Accounting Research Bulletin No. 51* the accounting treatment for *Consolidated Financial Statements*. Excerpts from this opinion, including the opening paragraph titled "Purpose of Consolidated Statements," which was reiterated in *Opinion No. 10* of the Accounting Principles Board follow.

> 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.
>
> 2. The usual condition for a controlling financial interest is ownership of a majority voting interest, and, therefore, as a general rule ownership by one company, directly or indirectly, of over fifty per cent of the outstanding voting shares of another company is a condition pointing toward consolidation. However, there are exceptions to this general rule. For example, a subsidiary should not be consolidated where control is likely to be temporary, or where it does not rest with the majority owners (as, for instance, where the subsidiary is in legal reorganization or in bankruptcy).
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> 3. In deciding upon consolidation policy, the aim should be to make the financial presentation which is most meaningful in the circumstances. The reader should be given information which is suitable to his needs, but he should not be burdened with unnecessary detail. Thus, even though a group of companies is heterogeneous in character, it may be better to make a full consolidation than to present a large number of separate statements. On the other hand, separate statements or combined statements would be preferable for a subsidiary or group of subsidiaries if the presentation of financial information concerning the particular activities of such subsidiaries would be more informative to shareholders and creditors of the parent company than would the inclusion of such subsidiaries in the consolidation. For example, separate statements may be required for a subsidiary which is a bank or an insurance company and may be preferable for a finance company where the parent and the other subsidiaries are engaged in manufacturing operations.

TABLE 1-14: CONSOLIDATION POLICIES — DOMESTIC AND CANADIAN SUBSIDIARIES

Exclusions From Consolidation	1969	1968	1967
Based on ownership:			
All subsidiaries except wholly-owned	39	54	67
Other basis for exclusion (over 50%; but less than 100% ownership)	2	3	5
Based on nature of business:			
Subsidiaries engaged in finance operations*	97	57	47
Real estate	13	41	29
Other	21	—	—
Canadian subsidiaries	8	5	4
Insignificant or inactive subsidiaries	67	50	N/C
Other, or basis not stated	19	25	46
Total exclusions	266	235	198
Number of Companies			
All domestic and Canadian subsidiaries consolidated	376	380	397
Some domestic and Canadian subsidiaries not consolidated	201	189	177
No indication of domestic or Canadian subsidiaries, or no consolidated statements	23	31	26
Total	600	600	600

N/C—Not compiled
* See Table 1-15

> 5. Consolidated statements should disclose the consolidation policy which is being followed. In most cases this can be made apparent by the headings or other information in the statements, but in other cases a footnote is required.

This year, as in previous years, 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 percent 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.

TABLE 1-15: CONSOLIDATION POLICIES — DOMESTIC AND CANADIAN SUBSIDIARIES ENGAGED IN FINANCE OPERATIONS

Type of Subsidiary	Consolidated	Not consolidated	Total
Finance companies	41	60	101
Insurance companies	2	14	16
Banks	—	13	13
Other finance-related companies	12	10	22
Totals	55	97	152

Number of Companies	
Consolidating all finance-related subsidiaries	41
Excluding from consolidation all finance-related subsidiaries	67
Consolidating some, but not all, finance-related subsidiaries	10
No domestic or Canadian finance-related subsidiaries	482
Total	600

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 companies included in *Accounting Trends and Techniques,* 1955 Edition.

The survey, which provided more information than is available in an examination of annual reports alone, 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.

Tables 1-14 and 1-16 summarize respectively the consolidation policies regarding domestic and Canadian subsidiaries and foreign subsidiaries. The majority of companies with domestic or Canadian subsidiaries consolidated all such subsidiaries.

Table 1-15 complements Table 1-14 by showing a numerical breakdown of unconsolidated and consolidated finance-related subsidiaries according to the nature of operations. More than one-third of the finance-related subsidiaries were consolidated. Those finance-related subsidiaries not consolidated were usually shown in the balance sheet at an amount determined by one of the "equity" methods. Thirty-one companies provided separate financial statements, within the annual report, for their finance-related subsidiaries.

Notes to financial statements discussing consolidation policies follow. Included with the examples of consolidation policy disclosures is an example of combined statements, as distinguished from consolidated statements, presented for an entity that is not a subsidiary of another company.

Exclusion Based on Ownership

THE CLEVELAND-CLIFFS IRON COMPANY
Notes to Financial Statements

Note A: Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its wholly-owned domestic subsidiaries. Investments in unconsolidated subsidiaries are carried substantially at equity.

ENGELHARD MINERALS & CHEMICALS CORPORATION
Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of all significant wholly-owned domestic and foreign subsidiaries.

The investments in subsidiaries and affiliates not consolidated, owned 50% or more, are stated at cost, adjusted for the Company's equity in their undistributed net earnings less appropriate valuation reserves. Consolidated net earnings for 1969 include $480,807 with respect to subsidiaries and affiliates not consolidated (1968, losses of $427,247). Other investments are stated at cost or less.

NATIONAL STEEL CORPORATION
Notes to Financial Statements

Note A (in part): *Principles of Consolidation—The* consolidated financial statements include the accounts of National Steel Corporation and all its wholly-owned subsidiaries. Investments in capital stock of unconsolidated subsidiaries ($16,560,944) are stated at cost plus equity in undistributed net earnings of such companies since acquisition. At December 31, 1969, the Corporation's equity in the recorded net assets of such companies exceeded the carrying amount of the related investments by $1,333,000. Investments in capital stock of associated companies ($56,113,054) are stated at cost.

TABLE 1-16: CONSOLIDATION POLICIES — FOREIGN SUBSIDIARIES

Exclusions From Consolidation	1969	1968	1967
Based on geography:			
All foreign subsidiaries excluded	47	36	51
Foreign subsidiaries in certain countries only	23	21	27
Based on ownership	35	43	52
Based on nature of business	16	10	7
Insignificant or inactive subsidiaries	65	55	N/C
Other bases	7	6	10
Basis for exclusion not stated	18	35	40
Total exclusions	211	206	187
Number of Companies			
All foreign subsidiaries consolidated	177	168	183
Some foreign subsidiaries not consolidated	143	158	131
Consolidation policy not determinable	20	17	N/C
No foreign subsidiaries consolidated	47	36	51
No indication of foreign subsidiaries	213	221	235
Total	600	600	600

N/C—Not compiled

PETTIBONE MULLIKEN CORPORATION
Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of the company and all wholly-owned subsidiaries.

The operations of a majority controlled (66-2/3%) Mexican subsidiary have not been consolidated; however, the company's investment in this subsidiary has been adjusted for its share in the subsidiary's operations.

SPARTANS INDUSTRIES, INC.
Notes to Financial Statements

Note B (in part): Principles of Consolidation—(1) The consolidated financial statements include the accounts of Spartans and its wholly-owned subsidiaries; inter-company investments, advances and transactions have been eliminated. Spartan's share ($193,792) of the net earnings of partially owned subsidiaries, acquired in fiscal 1969, are included in the consolidated financial statements.

WALWORTH COMPANY
Notes to Financial Statements

Note 1: The consolidated financial statements include the accounts of Walworth Company and its wholly owned subsidiaries.

The Company's investment in unconsolidated foreign subsidiary represents a 66.7% interest in an Italian valve manufacturing company. The Company's equity in the earnings of the unconsolidated subsidiary is included in the consolidated statement of income.

WESTVACO CORPORATION
Notes to Financial Statements

Note A (in part): Principles of Consolidation—The consolidated financial statements include the accounts of all subsidiaries which are substantially wholly owned. In consolidation, foreign currency income statement and balance sheet accounts (located principally in Brazil) have been translated at appropriate current or historical rates on a basis consistent with the prior year.

In October 1969, the Company exchanged 115,000 shares of treasury stock for all of the capital stock of Flack-Jones Lumber Company, Inc. This transaction has been accounted for as a pooling of interests; accordingly, the results of operations of Flack-Jones for fiscal year 1969 have been included in the accompanying consolidated statement of income. The financial statements for 1968 have not been restated since the effect of such restatement would not be material.

The investment in the 56% owned subsidiary, United States Envelope Company, is carried at cost plus equity in the subsidiary's undistributed net income since acquisition, and the accompanying statement of income includes Westvaco's equity in the subsidiary's net income for the year. Dividends received from U.S. Envelope amounted to $358,000 in 1969 and 1968.

Exclusion Based on Nature of Business

ALLIS-CHALMERS MANUFACTURING COMPANY
Notes to Consolidated Financial Statements

Note 1 (in part): Bases of Consolidation—All domestic and Canadian subsidiaries, except finance subsidiaries and a marketing subsidiary, are included in the consolidated financial statements. The Company's investments in and advances to the unconsolidated foreign subsidiaries of $4,503,430, less reserve of $3,086,494, and the investment in and advances to the unconsolidated marketing subsidiary of $23,163,000, less reserve of $6,852,000, are approximately equal to the net assets of the respective subsidiaries. On December 31, 1969, the Company assigned the investment in its British subsidiary of $5,271,450 to Allis-Chalmers International Finance Corporation, an unconsolidated finance subsidiary. This amount is included in the finance subsidiary's investments in and advances to unconsolidated foreign subsidiaries which amounted to $13,769,390 at December 31, 1969.

ANHEUSER-BUSCH, INCORPORATED
Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the Company and all of its subsidiaries. St. Louis National Baseball Club, Inc. and Lianco Container Corporation are included on an equity basis.

AVCO CORPORATION
Financial Review

Basis of Reporting—As of November 30, 1969, Avco's finance and insurance subsidiaries, which had previously been fully consolidated, are shown in Avco's statement of consolidated financial position at the cost of Avco's investments plus its share of the undistributed earnings of such subsidiaries since their acquisition. Avco's equity in the earnings of such subsidiaries is reflected in consolidated earnings. Consolidated financial statements for 1968 have been restated to conform to the 1969 treatment; the restatement had no effect on amounts previously shown for consolidated stockholders' equity or net earnings. Combined financial statements for Avco's unconsolidated finance companies (which include their insurance subsidiaries) and combined financial statements for Avco's unconsolidated non-finance insurance subsidiaries are shown separately.

DEERE & COMPANY
Notes to Financial Statements

Note 1: All significant subsidiaries except John Deere Credit Company are consolidated in this annual report. The Company records its investment in each unconsolidated subsidiary at the related equity in such subsidiary, except that any excess of cost over equity acquired was being amortized over a ten-year period until 31 October 1969 when the entire unamortized excess was written off.

THE DOW CHEMICAL COMPANY
Notes to Consolidated Financial Statements

Note A (in part): Principles of Consolidation—The financial statements include all significant subsidiaries on a full consolidation basis, except for a wholly owned Swiss banking company which is accounted for on the equity basis. Accordingly, if the bank were consolidated, there would be no effect on consolidated net income and stockholders' equity as reported.

GERBER PRODUCTS COMPANY
Notes to Consolidated Financial Statements

Principles of Consolidation—The consolidated financial statements include the accounts of all subsidiaries except two companies which are engaged in unrelated businesses. Inter-company accounts, transactions, and profits have been eliminated. The accounts of foreign subsidiaries have been translated at appropriate rates of exchange and the Latin-American subsidiaries have been included on the basis of fiscal years ended January 31. Net current assets of the foreign subsidiaries at March 31, 1969 amounted to $5,029,206, and other assets (principally land, buildings, and equipment) less long-term debt and minority interests, amounted to $4,325,172. Net earnings of the foreign subsidiaries were not material. Assets of the unconsolidated subsidiaries consist primarily of marketable securities. The results of their operations were not material and have been reflected in the statement of operations.

STANDARD OIL COMPANY (Indiana)
Notes to Financial Statements

Principles of Consolidation—Accounts of all subsidiaries in which the Company directly or indirectly owns more than 50 per cent of the voting stock are included in the consolidated financial statements, with three exceptions: Imperial Casualty and Indemnity Company and Amoco Credit Corporation, which are accounted for on an equity basis, and Amoco Argentina Oil Company, which is accounted for on a cost basis. The difference between dividends received and the Company's equity in Amoco Argentina's 1969 earnings was not significant.

In June, 1969, Amoco Credit Corporation was organized as a wholly-owned finance subsidiary with a capitalization of $24 million. The investment in Amoco Credit at December 31, 1969, included with investments held for operating purposes on the Consolidated Balance Sheet, was $24,654,000. At December 31, 1969, Amoco Credit had $118,300,000 of receivables (net) and short-term debt amounting to $94,950,000. The Company's equity in the net income of Amoco Credit was $654,000.

Consolidated year-end net assets and 1969 net earnings were:

	Net assets	Net earnings
	(Thousands of Dollars)	
United States	$2,448,770	$273,792
Canada	292,151	14,108
Overseas	471,956	33,133
Total	$3,212,877	$321,033

THE SIGNAL COMPANIES, INC.
Notes to Financial Statements

Note 1 (in part): Practices in Consolidation—The consolidated financial statements include all significant majority-owned domestic and foreign subsidiaries except Mack Financial Corporation, Signal Equities Company, and Signal Properties, Inc. See Note 4 for information concerning unconsolidated subsidiaries.

For purposes of consolidation, the accounts of foreign subsidiaries have been translated into United States dollars at appropriate rates of exchange. Gains or losses from exchange fluctuations were minor and were included in income in 1969 and 1968.

Note 4: Investments and Long-Term Receivables—Information concerning investments in and advances to wholly owned unconsolidated subsidiaries and fifty-percent owned companies at December 31, 1969 and for the year then ended is as follows:

(In thousands of dollars)

	Total Assets	Total Liabilities	Equity in Net Assets	Investment	Equity in Net Income
WHOLLY OWNED:					
Mack Financial Corporation:					
Capital Stock	$253,071	$223,943	$29,128	$29,128	$ 2,562
Advances				30,000	
Signal Equities Company	21,314	5,297	16,017	16,017	920
Signal Properties Inc.	34,886	10,294	24,592	24,592	122
Total				$99,737	
FIFTY PERCENT OWNED:					
Golden West Broadcasters*	29,617	15,012	7,288	$26,252	851
Other fifty-percent owned companies:					
Capital stock	41,802	21,946	9,942	9,047	2,052
Advances				2,150	
Total				$37,449	$ 6,507

* Amounts shown are unaudited.

Investments in the capital stocks of Mack Financial Corporation, Signal Equities Company, and Signal Properties, Inc. are carried at equity in the net assets of the subsidiaries. Investments in the capital stocks of Golden West Broadcasters and other fifty-percent owned companies are carried principally at cost plus equity in undistributed earnings since acquisition. The excess of Signal's cost over equity in net assets of Golden West Broadcasters, $18,964,000, is considered by management to have a continuing value (principally radio and television station licenses) and accordingly is not being amortized. Signal has the exclusive option to purchase the remaining fifty-percent interest in Golden West Broadcasters, and in certain events is required to purchase such interests, for approximately $25,000,000 plus certain undistributed profits from July 1, 1968.

Other investments and long-term receivables at December 31, 1969 and 1968 consisted of the following:

	1969	1968
Other investments (at cost):		
American President Lines, Ltd. (48% owned)	$11,699,000	$11,699,000
American Independent Oil Company (34% owned)	7,918,000	5,384,000
Other	8,550,000	7,297,000
Long-term receivables:		
6½% notes receivable from Occidental Petroleum Corporation	20,000,000	30,000,000
Other	8,507,000	9,551,000
Total	$56,674,000	$63,931,000

At December 31, 1969, Signal's equity in the unaudited net assets of American President Lines, Ltd. and American Independent Oil Company amounted to $45,618,000 and $12,427,000, respectively, and its equity in the unaudited net income (loss) of these companies for 1969 was $1,989,000 and $(1,511,000), respectively. In 1969, Signal received and included in income, dividends of $732,000 from its investment in American President Lines, Ltd. No dividends were received from American Independent Oil Company in 1969.

SQUIBB BEECH-NUT, INC.
Notes to Financial Statements

Note 1 (in part): Principles of Consolidation and Other Matters—The consolidated financial statements include all subsidiaries except those engaged in automotive and related operations. Certain of the 1968 amounts have been reclassified for comparative purposes. The accounts of foreign subsidiaries and branches have been translated at appropriate rates of exchange. At December 31, 1969, the consolidated balance sheet includes $70,318,000 of net current assets and $131,280,000 of net assets in respect of foreign operations. The consolidated statement of income for the year ended December 31, 1969 includes net sales of $149,978,000 and net income of $27,977,000 which are attributable to foreign operations ($138,-863,000 and $21,661,000 in 1968).

No provision has been made for Federal income taxes which may be payable upon transfer of accumulated foreign earnings to the United States inasmuch as the Company presently has no intention to repatriate any significant amount of such funds in a taxable transaction.

As of September 30, 1969, the Company acquired, for cash and notes payable, the outstanding 51% majority interest in the capital stock of Squibb S.p.A. The accounts of this Italian company, previously carried as an investment at cost, have been included in the consolidated balance sheet at December 31, 1969. Dividends received from this company and included in income in recent years have approximated the net income attributable to the Company's prior 49% interest. The balance of the accumulated undistributed earnings attributable to the Company's interest since 1954 (the date of the original 49% investment) has been credited directly to retained earnings.

Several other businesses were acquired during the year for cash and the results of their operations have been included in the financial statements from the respective dates of acquisition. In addition, a company was acquired for 33,645 shares of common stock in a transaction that has been accounted for as a pooling of interests. Since the amounts are not significant, the 1968 financial statements have not been restated to include this pooled company.

SWIFT & COMPANY
Notes to Consolidated Financial Statements

Note 1: Consolidation principles—The accompanying financial statements consolidate the accounts of all subsidiaries except Globe Life Insurance Company. Due to the nature of Globe Life's business, its financial statements are not compatible with those of the Company's other activities so this business is reflected in the consolidated statements on the equity method. Globe Life's earnings before income taxes of $1,246,000 (1968—$1,286,000) are included in other revenues and the related income taxes of $66,000 (1968—$42,000) are included in income taxes.

In prior years, the Company's insurance agency and service subsidiaries were also reflected in the financial statements on the equity method but have been fully consolidated in 1969. The 1968 financial statements have been restated to a comparable basis, which change had no effect on previously reported net earnings (loss) or stockholders' equity.

Exclusions Based on Geography

AMPEX CORPORATION
Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation and Investments—The accompanying consolidated financial statements include the accounts of the Corporation and all of its subsidiaries except a wholly-owned Brazilian subsidiary.

Investments in 50%-owned foreign companies are stated at cost plus equity in undistributed net earnings since acquisition.

Foreign operations are included in the accompanying financial statements based upon fiscal years ended March 31. Net assets of foreign consolidated subsidiaries and investments amounted to approximately $32,000,000 most of which were located in countries with freely convertible currencies.

BLISS & LAUGHLIN INDUSTRIES INCORPORATED
Notes to Financial Statements

Note 1: In 1969 the Company acquired the business and net assets of two companies for 64,000 shares of common stock. These transactions were accounted for on a pooling-of-interest basis and the results of their operations have been included in the accompanying consolidated financial statements for the full year ended December 31, 1969. The consolidated financial statements for the year ended December 31, 1968 have not been restated to include the results of operations or financial position of the pooled companies as these amounts were not significant. Had the 1968 consolidated financial statements been restated the change in earnings per share would have been less than 2%.

The accompanying consolidated financial statements include all U.S. and Canadian subsidiaries. Investments in other foreign subsidiaries are stated at cost plus equity in undistributed earnings since acquisition. All significant intercompany accounts and transactions have been eliminated. The accounts of foreign subsidiaries have been included at their U.S. dollar equivalent.

THE CARBORUNDUM COMPANY
Notes to Financial Statements

Note 1: *Principles of Consolidation*—Consolidated statements include all majority-owned subsidiaries except two in Brazil and one in Argentina, excluded because of unsettled economic conditions and currency exchange restrictions. Investments in 50% owned companies are carried at cost plus Carborundum's share of undistributed net income.

Net assets of approximately $47,700,000 were outside of North America. Properties, plants and equipment, and depreciation accounts have been translated to U.S. dollars based upon rates of exchange prevailing when the assets were acquired. Other accounts were translated generally at exchange rates prevailing during or at the end of the year.

EXTENDICARE, INC.
Notes to Financial Statements

Note 1 (in part): *Principles of Consolidation and Acquisitions*—The consolidated financial statements include the accounts of all wholly-owned and majority-owned domestic subsidiaries. All significant intercompany accounts and transactions have been eliminated.

During the year, the Company also purchased several nursing centers, a retail pharmacy company, and a mobile home company. The operations of these businesses are included in the consolidated statement of income since dates of acquisition.

Investment in Canadian company represents a 55.9% ownership which could be reduced to less than 50% upon the exercise of warrants held by Canadian stockholders of the subsidiary. The Company's equity in the net assets and loss of this subsidiary at August 31, 1969 was approximately $1,560,000 and ($57,000), respectively.

FANSTEEL INC.
Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—The consolidated financial statements include the Company and its wholly-owned domestic subsidiaries.

Note 4: *Investments*—The Company's investment in and noncurrent advances to its wholly-owned Canadian subsidiary are recorded at $565,166. The investment is stated at equity in underlying net assets at December 31, 1969.

During 1969 the Company sold its interest in a 50% owned Belgian company for approximately $668,000. The resultant loss on sale, representing the Company's original investment, has been recorded as an extraordinary loss in the consolidated statement of operations.

POTLATCH FORESTS, INC.
Notes to Consolidated Financial Statements

Note 1: *Principles of Accounting*—The consolidated financial statements include the accounts of Potlatch Forests, Inc., and all its significant majority-owned domestic subsidiaries. Investments are valued at cost, including $4,724,225 invested in and advanced to foreign subsidiaries in Western Samoa and Colombia. The Western Samoa project is in the construction stage and is not anticipated to be operational until mid-1970. The Colombian operation, acquired at December 31, 1968, is presently involved in an expansion and modernization project and during the project has sustained an operating loss of $605,000. Management considers this loss a temporary impairment of capital and accordingly carries the investment at cost. All material intercompany transactions have been eliminated upon consolidation.

Swanee Paper Corporation, the predecessor of Swanee Paper Company, Inc., a wholly-owned subsidiary, used a fiscal year ending October 31, when it was merged into Potlatch Forests, Inc., in December, 1968. The earnings of Swanee for November and December of 1968 in the amount of $105,330 were credited to retained earnings in 1969, when it adopted the parent company's fiscal year.

Other important principles of accounting which relate to specific balance sheet accounts are discussed in the following notes.

Exclusion of Insignificant or Inactive Subsidiaries

AMK CORPORATION
Notes to Consolidated Financial Statements

Note 1 (in part): Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all its subsidiaries, except two minor subsidiaries. Included elsewhere in this Annual Report are the financial statements of United Fruit Company ("United") and the report thereon by its independent accountants which refers to a change (of which they approve) in accounting for severance and social benefits which is not applicable to the consolidated financial statements of AMK since United is included only in AMK's 1969 consolidated financial statements. All material intercompany transactions and profits have been eliminated. Foreign transactions are stated at appropriate United States dollar equivalents. The earnings of United are included on the basis of AMK's equity of 9% for the month of January 1969 and 83% for the eleven months ended December 31, 1969.

DRESSER INDUSTRIES, INC.
Notes to Financial Statements

Note A: Principles of Consolidation and Foreign Subsidiaries—The consolidated financial statements include the accounts of all significant majority-owned subsidiaries. Investments in affiliates (including 50% owned companies) are carried at cost which, in the aggregate, is less than the Company's equity in the net assets of such companies.

Net assets of consolidated foreign subsidiaries at October 31, 1969, are summarized as follows:

	In Thousands of Dollars			
	Canada	Europe	Other	Total
Current assets	$24,817	$42,430	$19,858	$87,105
Current liabilities	2,976	22,543	8,529	34,048
Net Current Assets	21,841	19,887	11,329	53,057
Investment in securities	1	19,015	59	19,075
Fixed and other assets	8,456	14,148	6,619	29,223
Deferred liabilities and reserves	(428)	(6,300)	(1,430)	(8,158)
Net Assets	$29,870	$46,750	$16,577	$93,197

Net earnings of these subsidiaries, after provision for deferred Federal income taxes on unremitted foreign earnings, amounted to $7,266,000 in 1969 and $7,294,000 in 1968.

Exclusions Based on Other Criteria

PHILIP MORRIS INCORPORATED
Notes to Consolidated Financial Statements

Principles of Consolidation—The consolidated financial statements continue to include the accounts of the Company and all subsidiaries whose common stock is wholly owned, except for the Godfrey Phillips, Limited group of companies which is in the process of being reorganized. Investments in and advances to unconsolidated subsidiaries is stated at cost plus equity in undistributed earnings since the dates of acquisition.

Accounts of foreign subsidiaries have been translated at appropriate exchange rates.

Consolidation of All Subsidiaries

ETHYL CORPORATION
Notes to Financial Statements

Note 1: Consolidation Principles—The accompanying financial statements include the accounts and operations of all wholly-owned subsidiaries, the assets and liabilities of Capitol Products Corporation (Capitol), a 56% owned subsidiary acquired for cash December 24, 1969, and the accounts of operations of newly formed Bromet Corporation, in which Ethyl Corporation has an 80% partnership interest.

A special meeting of shareholders of Capitol has been called for March 19, 1970 for the purpose of considering and voting upon a Plan of Merger which, if approved by a majority of the outstanding shares of Capitol's capital stock, will, among other things, entitle the remaining shareholders of Capitol to receive $17 per share in cash (subject to appraisal in the event of dissent). As a result of the merger, the Corporation will own all of the outstanding shares of Capitol.

Excess of cost of investments over equities in businesses acquired includes the amount applicable to the Corporation's 56% interest in Capitol which has not been allocated pending approval of the merger and an appraisal of assets. The excess of cost of investment over underlying equities in other businesses acquired is not being amortized.

GRANGER ASSOCIATES
Notes to Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its foreign subsidiaries, Granger Associates Limited and Granger Associates (Pty) Limited. Inter-company accounts and inter-company profit in inventories have been eliminated. Foreign currency amounts have been translated into United States dollars at $2.40 per pound, sterling, and $1.12 per Australian dollar.

On January 15, 1969, the Company merged with Dorne & Margolin, Inc., with the issuance of 231,919 shares of the Company's capital stock to the former shareholders of Dorne & Margolin, Inc. The merger was accounted for as a pooling of interests and accordingly the consolidated statement of income and retained earnings includes the operations of Dorne & Margolin, Inc., for the full year ended August 31, 1969. The financial statements at August 31, 1968, and for the year then ended also include the unaudited accounts of Dorne & Margolin, Inc., which were restated to conform to the Company's fiscal year.

LOWE'S COMPANIES, INC.
Notes to Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of all subsidiaries, all of which are wholly-owned. Seven subsidiaries were organized during the current year but only five of these began operations before July 31, 1969.

J. RAY McDERMOTT & CO., INC.
Notes to Consolidated Financial Statements

Note 1: (in part)—The consolidated financial statements include the accounts of the Company and all subsidiaries. All significant inter-company sales, profits and other inter-company accounts have been eliminated.

The Company reports its income from construction on the completed contract method.

The Company's equity in net assets of subsidiaries at March 31, 1969, exceeded its investment in such companies by $83,841,620, and is included in consolidated retained earnings.

Undistributed net income of foreign subsidiaries included in consolidated retained earnings at March 31, 1969, amounts to $78,-647,170. Such amount may be subject to U. S. income taxes at rates of tax prevailing if and when remitted to the parent company; no provision for such taxes has been made in the accompanying consolidated financial statements.

STANLEY HOME PRODUCTS, INC.
Notes to Consolidated Financial Statements

Note 1: Basis of Consolidation—The financial statements include the accounts of Stanley Home Products, Inc. and all subsidiary companies, both domestic and foreign. The financial operations of Foster & Gallagher, Inc. and F. P. Adams Company, Inc. have been recast from fiscal year closings of June 30 to reflect operating results for a calendar year.

VARIAN ASSOCIATES
Notes to Financial Statements

Note 1: Subsidiary Companies—All domestic and foreign subsidiary companies have been included in the accompanying consolidated statements. The accounts of consolidated foreign subsidiaries have been converted at applicable rates of exchange. The Company's equity in consolidated foreign subsidiaries as at September 30, 1969, exceeded the carrying values of the Company's investment in such subsidiaries by $7,494,000. The undistributed earnings of subsidiaries may be subject to income and other taxes (reduced by tax paid credits, if any) if and when remitted to the parent Company.

TEXACO, INC.
Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation—The accounts of Texaco Inc. and subsidiary companies owned more than 50% are included in the consolidated financial statements. Intercompany balance sheet accounts, sales, and profits are eliminated. Items recorded in foreign currencies are expressed in U. S. dollars at the appropriate rates of exchange, and gains and losses arising as a result of foreign currency conversions are reflected in income.

Effective January 1, 1969, the accounts of subsidiary companies operating in Brazil, which had been excluded from consolidation since 1953, were included in the consolidation. The financial statements for 1968 have been restated to a comparable basis with an insignificant effect on net income and an increase of $13,967,000 in retained earnings as of January 1, 1968.

Fifty Percent Interest in Jointly Owned Facilities Consolidated

AMERICAN CAN COMPANY
Notes to Financial Statements

Note 1: The financial statements include all significant domestic and Canadian subsidiaries and an undivided one-half interest in the assets, liabilities and results of operations of an unincorporated joint venture to manufacture and sell petrochemical products. Investments in nonconsolidated subsidiaries, principally foreign, are stated at cost adjusted for change in equity since acquisition.

The 1968 financial statements have been restated to include on a pooling of interests basis a business acquired in 1969 in exchange for 100,000 shares of the Company's common stock.

DART INDUSTRIES INC.
Notes to Financial Statements

Basis of Consolidation and Accounting Principles (in part)—Dart is a 50% owner of a plastics processing corporation and party to a joint operating agreement whereby it has an undivided 50% interest in plant and other assets relating to the production and marketing of certain petrochemicals. Consistent with prior years, the accompanying statements include 50% of the assets, liabilities, income and costs and expenses of these jointly owned activities.

KOPPERS COMPANY, INC.
Notes to Financial Statements

Note 1 (in part): Principles of Consolidation and Change in Accounting—The consolidated statements include the accounts of the Company, all of its subsidiaries (except one foreign company owned 52%) and the Company's 50% share of the assets and liabilities and income and expenses of Sinclair-Koppers Company, a partnership owned by the Company and Atlantic Richfield Company.

The foreign non-consolidated subsidiary and 50% owned companies are carried at cost. One domestic company, approximately 50% owned, is carried at equity in underlying net assets. In prior years the Company carried its investment in this company at cost and reflected dividends in consolidated income as they were received. In 1969 the Company retroactively adopted the equity method of accounting for this investment, under which the Company's share in its earnings is reflected in current income. The effect of this change was to increase net income for the years 1969 and 1968 by $747,000 and $658,000, respectively, and to increase earnings retained in the business at January 1, 1968 by $2,432,899.

The Company's equity in the net assets of the foreign non-consolidated subsidiary and 50% owned companies at December 31, 1969 exceeds the carrying value (cost) of the Company's investment therein by $3,900,000. The Company's equity in the net income of these companies in 1969 amounted to $1,560,000 and dividends of $206,000 were received and taken into consolidated income.

Combined Statements

AMP INCORPORATED
Combined Balance Sheet (in part)

Shareholders' Equity:	1969	1968
AMP Incorporated—		
Common stock, without par value—		
Authorized 15,000,000 shares, issued 12,480,000 shares	$ 12,480,000	$ 12,480,000
Pamcor, Inc.—		
Common stock, par value $1.00 per share—		
Authorized 50,000 shares, issued 20,000 shares	20,000	20,000
Retained earnings	91,674,000	73,269,000
	104,174,000	85,769,000
Less— Treasury stock, at cost	143,000	172,000
Total shareholders' equity	$104,031,000	$ 85,597,000

Notes to Combined Financial Statements

Note 1: Principles of Combination—The financial statements of Pamcor have been combined with those of AMP and its subsidiaries (all wholly owned), since each company is owned beneficially by identical shareholders. Pamcor has no active subsidiaries and no affiliates other than AMP and its subsidiaries. By trust agreement, Bankers Trust Company holds all of the Pamcor common stock for the benefit of AMP common shareholders whose certificates are endorsed to show they are entitled to a proportionate interest in the Pamcor common stock held in the Trust. This interest is not transferable separately.

Intercompany and affiliated company accounts and transactions, including unrealized profits in inventory, were eliminated in consolidating and combining the financial statements of AMP, its subsidiaries and Pamcor.

TABLE 1-17: BUSINESS COMBINATIONS

Number of Companies	1969
All acquisitions accounted for as purchases	111
All acquisitions accounted for as poolings of interests	101
Purchases and poolings of interests	84
Accounting treatment not determinable	30
Companies reporting business combinations	326
Companies not reporting business combinations	274
Total	600

BUSINESS COMBINATIONS

In August 1970 the Accounting Principles Board issued *Opinion No. 16—Business Combinations.* This opinion, effective for business combinations initiated after October 31, 1970, is the authoritative pronouncement on business combinations. The conclusion paragraph of *Opinion No. 16* states:

> 8. The Board concludes that the purchase method and the pooling of interests method are both acceptable in accounting for business combinations, although not as alternatives in accounting for the same business combination. A business combination which meets specified conditions requires accounting by the pooling of interests method. A new basis of accounting is not permitted for a combination that meets the specified conditions, and the assets and liabilities of the combining companies are combined at their recorded amounts. All other business combinations should be accounted for as an acquisition of one or more companies by a corporation. The cost to an acquiring corporation of an entire acquired company should be determined by the principles of accounting for the acquisition of an asset. That cost should then be allocated to the identifiable individual assets acquired and liabilities assumed based on their fair values; the unallocated cost should be recorded as goodwill.

The Opinion also states that, "the practice now known as part-purchase, part-pooling is not acceptable." However, if a corporation owns on October 31, 1970 "a minority interest in or exactly 50 percent of the common stock of another company and the corporation initiates after October 31, 1970 a plan of combination with that company, the resulting business combination may be accounted for by the pooling of interests method provided the combination is completed within five years after October 31, 1970 and the combination meets all conditions specified" for a pooling of interests.

> The investment in common stock held on October 31, 1970 should not be accounted for as treasury stock or retired stock at the date of the combination. Instead, the excess of cost over the investor corporation's proportionate equity in the net assets of the combining company at or near the date the stock investment was acquired should be allocated to identifiable assets of the combining company at the date the combination is consummated on the basis of the fair values of those assets at the combination date. The unallocated portion of the excess should be assigned to an unidentified intangible asset (goodwill) and should be accounted for according to applicable previous pronouncements of the Board and its predecessor committee. The cost of goodwill should not be amortized retroactively but may be amortized pro-

spectively under the provision of APB Opinion No. 17, paragraph 35. If the cost of the investment is less than the investor's equity in the net assets of the combining company, that difference should reduce proportionately the recorded amounts of noncurrent assets (except long-term investments in marketable securities) of the combining company.

POOLINGS OF INTERESTS

Opinion No. 16 defines the conditions which require pooling of interests accounting. These conditions are listed below.

> Each of the combining companies is autonomous and has not been a subsidiary or division of another corporation within two years before the plan of combination is initiated.
>
> Each of the combining companies is independent of the other combining companies.
>
> The combination is effected in a single transaction or is completed in accordance with a specific plan within one year after the plan is initiated.
>
> A corporation offers and issues only common stock with rights identical to those of the majority of its outstanding voting common stock in exchange for substantially all of the voting common stock interest of another company at the date the plan of combination is consummated.
>
> None of the combining companies changes the equity interest of the voting common stock in contemplation of effecting the combination either within two years before the plan of combination is initiated or between the dates the combination is initiated and consummated; changes in contemplation of effecting the combination may include distributions to stockholders and additional issuances, exchanges, and retirements of securities.
>
> Each of the combining companies reacquires shares of voting common stock only for purposes other than business combinations, and no company reacquires more than a normal number of shares between the dates the plan of combination is initiated and consummated.
>
> The ratio of the interest of an individual common stockholder to those of other common stockholders in a combining company remains the same as a result of the exchange of stock to effect the combination.
>
> The voting rights to which the common stock ownership interests in the resulting combined corporation are entitled are exercisable by the stockholders; the stockholders are neither deprived of nor restricted in exercising those rights for a period.
>
> The combination is resolved at the date the plan is consummated and no provisions of the plan relating to the issue of securities or other consideration are pending.
>
> The combined corporation does not agree directly or indirectly to retire or reacquire all or part of the common stock issued to effect the combination.
>
> The combined corporation does not enter into other financial arrangements for the benefit of the former stockholders of a combining company, such as a guaranty of loans secured by stock issued in the combination, which in effect negates the exchange of equity securities.
>
> The combined corporation does not intend or plan to dispose of a significant part of the assets of the combining companies within two years after the combination other than disposals in the ordinary course of business of the formerly separate companies and to eliminate duplicate facilities or excess capacity.

The occurrence of a pooling of interests should be disclosed in the financial statements of the combined corporation. The notes to financial statements of a combined corporation should disclose the following information:

> Name and brief description of the companies combined, except a corporation whose name is carried forward to the combined corporation.
>
> Method of accounting for the combination—that is, by the pooling of interests method.
>
> Description and number of shares of stock issued in the business combination.
>
> Details of the results of operations of the previously separate companies for the period before the combination is consummated that are included in the current combined net income. The details should include revenue, extraordinary items, net income, other changes in stockholders' equity, and amount of and manner of accounting for intercompany transactions.
>
> Descriptions of the nature of adjustments of net assets of the combining companies to adopt the same acccounting practices and of the effects of the changes on net income reported previously by the separate companies and now presented in comparative financial statements.
>
> Details of an increase or decrease in retained earnings from changing the fiscal year of a combining company. The details should include at least revenue, expenses, extraordinary items, net income, and other changes in stockholders' equity for the period excluded from the reported results of operations.
>
> Reconciliations of amounts of revenue and earnings previously reported by the corporation that issues the stock to effect the combination with the combined amounts currently presented in financial state-

ments and summaries. A new corporation formed to effect a combination may instead disclose the earnings of the separate companies which comprise combined earnings for prior periods.

Poolings of interests which are consummated subsequent to the end of a corporate fiscal year should not, as previously permitted, be reflected in the financial statements for the fiscal year being reported upon. However, the substance of such a transaction and its effect on reported financial position and results of operations should be disclosed in the notes to financial statements or otherwise.

Examples of disclosures of poolings of interests follow.

TABLE 1-18: POOLINGS OF INTERESTS

Number of Companies	1969	1968	1967
All prior years restated in historical summary to include pooled companies	70	84	58
All amounts shown for past five years restated to include pooled companies; other years in historical summary not restated	17	26	7
One or two years restated to include pooled companies; other years in historical summary not restated	26	29	29
Prior year restated in comparative financial statements only	17	16	25
Other presentations for restatement	8	N/C	N/C
No restatement of prior year statements	47	29	25
Companies reporting poolings of interests	185	184	144
Companies not reporting poolings of interests	415	416	456
Total	600	600	600

Securities Issued	1969	1968	1967
Common stock only	139	122	95
Preferred or convertible preferred only	14	34	27
Common and convertible preferred stock	17	28	22
Other or not determinable	15	—	—
Total	185	184	144

N/C—Not compiled

BLUE BELL, INC.
Notes to Financial Statements

Note 1 (in part): Principles of Consolidation, Etc.—As of March 31, 1969, 168,166 shares of $5 par value common stock were issued in exchange for all of the outstanding capital stock of Hicks-Ponder Company of El Paso, Texas which was merged into the Company. This merger was accounted for as a pooling of interests and prior year amounts have been restated accordingly. Because the fiscal year-end of Hicks-Ponder Company differed from that of the Company, the accompanying financial statements for the years ended September 30, 1968 and 1969 include the accounts, as adjusted (see Note 2), of Hicks-Ponder Company for its fiscal year ended October 31, 1968 and the eleven months ended September 30, 1969, respectively.

Note 2 (in part): Inventories—Retroactive effect has been given in the accompanying financial statements to adjustments to conform the practices of accounting for inventories used by Hicks-Ponder Company to the practices used by Blue Bell, Inc. The effect of this change on the results of operations for 1969 and 1968 was not material.

Statement of Consolidated Retained Earnings (in part):

	1969	1968
Balance At Beginning of Year:		
As previously reported	$28,538,306	$25,263,612
Retained earnings of Hicks-Ponder Company, merged into Blue Bell, Inc. (Note 1)	3,448,002	3,211,364
Adjustment to conform the practice of accounting for inventories used by Hicks-Ponder Company to the practices used by Blue Bell, Inc., net of related income tax effect (1969—$293,121; 1968—$199,738)	(283,703)	(200,892)
As restated	$31,702,605	$28,274,084

HARRIS-INTERTYPE CORPORATION
Notes to Financial Statements

Note A (in part): Consolidation—In February, 1969, the Corporation issued 700,071 shares of Common Stock in exchange for all the outstanding stock of RF Communications, Inc., which became a wholly-owned subsidiary. The transaction was accounted for as a pooling of interests, and accordingly the accounts of RF are included in the consolidated financial statements in fiscal 1969 and 1968, as restated. Net sales and net earnings of RF were $15,312,241 and $1,051,250, respectively in fiscal 1968.

A ten year historical summary presents unadjusted figures. Net sales and net earnings figures for the past five years, adjusted to reflect the effect of poolings of interests, are presented at the bottom of the historical summary.

HELENA RUBINSTEIN, INC.
Notes to Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of Helena Rubinstein, Inc. and all its subsidiaries. During 1969 the Company acquired in exchange for 862,547 shares of its common stock all the outstanding shares of the Helena Rubinstein companies located in the Eastern Hemisphere. The acquisition has been accounted for as a pooling of interests and accordingly the 1968 consolidated financial statements have been restated to include the accounts of the pooled companies.

The net assets, net sales and net income of subsidiaries operating in foreign countries follow:

	Western Hemisphere		Eastern Hemisphere	
	1969	1968	1969	1968
Net Assets	$ 7,861,882	$ 6,611,965	$24,985,864	$22,244,579
Net Sales	$10,849,096	$ 9,790,681	$25,782,674	$24,595,637
Net Income	$ 891,181	$ 674,023	$ 3,220,230	$ 2,612,066

Income and expenses of these subsidiaries, except for depreciation and amortization, have been translated into U. S. dollars at average exchange rates prevailing during the year. Balance sheet accounts have been translated at year-end rates except that property, plant and equipment and related depreciation and amortization charges, stockholders' equity accounts and certain other noncurrent assets have been translated at historical or other appropriate rates.

The balance of retained earnings at December 31, 1969 includes approximately $4,000,000 of statutory reserves, and capitalized earnings of foreign subsidiaries which are not readily available for distribution.

STANRAY CORPORATION
Notes to Consolidated Financial Statements

Note 1 (in part): Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all subsidiaries. Intercompany transactions and accounts have been eliminated in consolidation.

During 1969, the Company acquired several businesses. Three of these acquisitions were accounted for on a pooling-of-interests basis

and 166,316 shares of the Company's common stock were issued in payment. The financial statements for 1968 have been restated to reflect these transactions. The net sales and net income of pooled businesses were $3,862,110 and $252,973 respectively, in 1968. Two of the pooled businesses have been included in the 1968 financial statements, as restated, on the basis of their fiscal years which ended on dates other than that of the Company.

5 Year Summary (1)

1. The 5 Year Summary in the above tabulation has been restated to include results of companies acquired in transactions accounted for as poolings or as partial poolings of interests. The results of operations of purchased companies have been included in the summary from date of acquisition. Operating results as originally reported for such years, without restatement for pooled or partial pooled companies were as follows:

(000 Omitted)

Year	Sales	Net Income	Net Income per Share
1968	$71,824	$2,751	$1.70
1967	36,849	1,485	1.22
1966	51,960	1,640	1.35
1965	46,151	807	.67

SUPERMARKETS GENERAL CORPORATION
Notes to Financial Statements

Principles of Consolidation (in part)—In June 1969 the Company acquired all the stock of companies operating six home improvement centers and a distribution center in exchange for shares of its common stock in a transaction accounted for on a pooling of interests basis. Accordingly, the 1968 consolidated statement of earnings has been restated and includes these companies' sales and net income of $13,467,196 and $660,649 respectively. The 1968 balance sheet includes the accounts of these acquired companies at December 31, 1968 inasmuch as restatement of such accounts at November 2, 1968 was not practicable and would not have resulted in any material change from the figures as shown.

Note a: Six-Year Statistical Summary—Supermarkets General Corporation's predecessors, Supermarkets Operating Co. and General Super Markets, Inc. are included on a pooling of interest basis for periods prior to their merger in April 1966 and Genung's Incorporated and Rickel Bros., Inc. and affiliated companies are similarly included for periods prior to their acquisition in April 1968 and June 1969 respectively.

SWIFT & COMPANY
Notes to Consolidated Financial Statements

Note 2 (in part): *Acquisitions*—All of the outstanding stock of Bookey Packing Company was acquired in September 1969 in exchange for 301,635 shares of the Company's common stock. The acquisition has been treated as a pooling of interests and effect has been given in the consolidated financial statements to include Bookey for the 1968 and 1969 fiscal years. Accordingly, accumulated earnings at October 28, 1967 have been increased $2,995,000, 1968 sales have been increased $101,015,000 and the 1968 loss has been reduced $392,000 from amounts previously reported.

U. S. PLYWOOD-CHAMPION PAPERS INC.
Notes to Financial Statements

Note 1: *Principles of Consolidation*—The Company follows the practice of consolidating all domestic and Canadian subsidiaries. Unconsolidated foreign subsidiaries, other than the Brazilian subsidiary, are reflected in the financial statements on the equity basis. Investments in 50% owned companies and joint ventures are recorded at the lower of the Company's equity in their net assets or estimated net realizable value.

During the year the Company issued 3,243,860 shares of its common stock for the assets and business or in exchange for all of the outstanding capital stock of Trend Industries, Inc. and another company. These transactions were recorded as poolings of interests and accordingly the financial statements include the accounts and operations of these companies.

Financial Review (*Page 14*)

Stock Split and Acquisitions—At the annual meeting on May 8, 1969, the shareholders authorized a two-for-one split of common shares. Earnings per share and the average number of common shares outstanding for 1969 and 1968 have been restated to reflect the split and include the issuance in December 1969 of 3,243,806 common shares in exchange for the business and properties of Trend Industries, Inc. and Birmingham Ornamental Iron Company under the pooling of interests accounting concept.

Sales of the businesses included under the pooling of interests concept were $84,764,000 in 1969 and $79,452,000 in 1968. Their earnings were $4,302,000 in 1969 and $3,848,000 in 1968. Although these poolings of interests have the effect of reducing earnings per common share 9¢ in 1969 and 8¢ in 1968 these businesses have the near-term capacity and potential to enhance the company's net earnings in the near term.

Five-Year Financial Summary

The above figures have been restated to reflect poolings of interests prior to the date of acquisition and to give effect to a two for one common stock split in 1969.

WESTINGHOUSE ELECTRIC CORPORATION
Financial Review

Principles of Consolidation (in part)—On September 30, 1969 the Corporation acquired Seven Up Bottling Company of Los Angeles, Inc., Seven Up Bottling Company of San Bernardino, Inc., and 7-Up Bottling Company of Bakersfield, Inc., in exchange for 499,031 shares of common stock.

The Corporation acquired on December 22, 1969 all the outstanding shares of C. W. Blakeslee and Sons, Incorporated, in exchange for 145,161 shares of common stock. Blakeslee is engaged in general contracting and the manufacture of pre-stressed concrete.

These two acquisitions were recorded as poolings of interests. The acquired companies had income of $2,170,818 on $45,692,492 of sales in 1968. These amounts are not included in the financial statements of 1968 because they are not significant.

SQUARE D COMPANY
Notes to Consolidated Financial Statements

Note J: Pending Acquisition—The Company has entered into an Agreement and Plan of Reorganization, dated January 21, 1970, with Anderson Electric Corporation of Leeds, Alabama. Under the terms of this Agreement the Company will issue 781,875 shares of its unissued common stock for substantially all of the assets of Anderson. This acquisition, subject to approval by the shareholders of Anderson in April, 1970, will be acccounted for as a pooling of interests when consummated. Net sales and net income of Anderson for the year ended December 31, 1969 were $20,931,483 and $793,041 respectively; net assets at December 31, 1969 were $6,666,915.

PURCHASES

With regard to business combinations accounted for by the purchase method, *Opinion No. 16* states that the following information should be disclosed in the notes of the financial statements of the acquiring corporation:

Name and a brief description of the acquired company.

Method of accounting for the combination—that is, by the purchase method.

Period for which results of operations of the acquired company are included in the income statement of the acquiring corporation.

Cost of the acquired company and, if applicable, the number of shares of stock issued or issuable and the amount assigned to the issued and issuable shares.

Description of the plan for amortization of acquired goodwill, the amortization method, and period (*APB Opinion No. 17*, paragraphs 27 to 31).

Contingent payments, options or commitments specified in the acquisition agreement and their proposed accounting treatment.

The notes should also include the following information on a pro forma basis:

Results of operations for the current period as though the companies had combined at the beginning of the period, unless the acquisition was at or near the beginning of the period.

Results of operations for the immediately preceding period as though the companies had combined at the beginning of that period if comparative financial statements are presented.

Examples of disclosures of purchases follow.

TABLE 1-19: PURCHASES

Number of Companies	1969	1968	1967
Reporting excess cost of acquisition as an intangible asset	97	95	72
Not reporting excess cost of acquisition as intangible asset	27	27	14
Not determinable whether intangible is recognized	71	68	30
Companies reporting purchases	195	190	116
Companies not reporting purchases	405	410	484
Total	600	600	600
Nature of Consideration			
Stock	61	49	27
Other or not stated	134	141	89
	195	190	116

CHAMPION SPARK PLUG COMPANY
Notes to Consolidated Financial Statements

Note 2 (in part): At December 31, 1968, Champion owned 85.6% of the outstanding common stock of the DeVilbiss Company, representing cash purchases in 1967 and 1968 for an aggregate cost of approximately $45,000,000. The excess of cost over equity acquired in DeVilbiss ($20,000,000) has been amortized on the basis of a 20-year period.

At a special meeting of shareholders held on October 8, 1969, holders of approximately 98% of all of the outstanding shares of DeVilbiss approved an Agreement of Merger, which provided for a statutory merger to be accomplished by the conversion of each of the 221,787 outstanding shares of DeVilbiss common stock (excluding shares held by Champion) into one share of Champion common stock, with DeVilbiss thereafter to be operated as a Division of Champion.

The merger was effected as of January 1, 1970 and has been treated as a purchase as of that date for accounting purposes. The total cost to Champion of all of the DeVilbiss shares, measured by the cash purchases plus the market value of Champion shares issued to complete the merger, exceeded the book value of the net assets of DeVilbiss by approximately $22,000,000 at dates of acquisition. Based upon independent appraisals, $8,900,000 of this excess cost has been allocated to property, plant and equipment of DeVilbiss and $900,000 to patents of DeVilbiss, reducing the excess cost to $9,500,000 (net of $2,700,000 amortization previously recorded). The accompanying condensed consolidated balance sheet as of January 1, 1970 reflects the complete accounting for the merger, including the aforementioned adjustments together with elimination of the minority interest in DeVilbiss; net reduction of current liabilities resulting from applicable adjustments for Federal income tax purposes; and adjustments to excess cost (goodwill), common stock and "capital in excess of par value" occasioned by the issuance of additional Champion shares to effect the merger. Had such accounting been reflected since July 1, 1967 (the date of Champion's initial purchase of DeVilbiss shares) net earnings for subsequent periods would not have changed significantly since increased depreciation and amortization of property and patents would have been approximately offset by a reduction in amortization of excess cost.

HAT CORPORATION OF AMERICA
Notes to Financial Statements

Note A: During the year, the Company purchased the net assets and business of Cable Raincoat Company and affiliates ("Cable") and in separate transactions the net assets of two other companies. The aggregate excess of purchase prices over the net assets acquired at the respective dates of acquisitions amounted to $1,570,000, of which $1,217,000 was allocated to Fixed Assets and $353,000 to Trade Names and Other Intangibles. Two of the aforementioned purchase agreements contain provisions for future contingent payments in cash (maximum of $3,250,000) based upon certain specified levels of net income and/or net sales of the acquired businesses. In the event that any future contingent payments are required to be made, the amounts thereof will be charged to Trade Names and Other Intangibles. The operations of the businesses acquired during the year are included in the accompanying Consolidated Statements of Income and Earned Surplus from their respective dates of acquisition.

BROWN & SHARPE MANUFACTURING COMPANY
Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—In February, 1969, the Company acquired 84% of the common stock of Anocut Engineering Company for $8,140,000 and has an option to purchase the remaining 16% in 1973 at a price dependent upon the future earnings of the subsidiary. The Company, based upon an independent appraisal, has allocated the excess of the purchase price over the assets acquired to patents, other intangibles and fixed assets.

CENTRAL SOYA COMPANY, INC.
Notes to Consolidated Financial Statements

Note 1: *Principles of Consolidation*—The consolidated financial statements include the accounts of the Company and all wholly-owned subsidiaries. During the year, two subsidiaries, formerly reflected as nonconsolidated affiliates, became wholly-owned when the subsidiaries purchased all of the minority interest stock at a cost which was in excess of related net assets. The inclusion of these subsidiaries has no significant effect on the consolidated financial statements.

Investments in nonconsolidated affiliates are reflected in the balance sheet at cost plus the Company's share of undistributed earnings, which in 1969 amounted to $253,879 and is included in other income. Dividends in the amount of $71,729 were received from nonconsolidated affiliates.

During the year, the Company issued 62,611 shares of its capital stock in exchange for all of the capital stock of a company which is currently being operated as a subsidiary. This exchange has been treated for accounting purposes as a pooling of interests and, accordingly, the consolidated financial statements include the accounts of this subsidiary for the full year ended August 31, 1969. The consolidated financial statements for the prior year have not been restated to include the accounts of this subsidiary since the effect is not material. Also during the year, the Company purchased 41,573 shares of its capital stock which shares were exchanged for all of the capital stock of a company currently being operated as a subsidiary. The consolidated financial statements include the accounts of this subsidiary since the date of acquisition.

The amount shown on the balance sheet as "Cost in excess of net assets of subsidiaries" results from the inclusion in consolidation of the two subsidiaries mentioned in the first paragraph of this note and of the purchased subsidiary mentioned in the preceding paragraph. Such excess is being amortized over a fifteen year period.

Certain reclassifications of the 1968 amounts have been made to conform to the 1969 presentation.

IOWA BEEF PACKERS, INC.
Notes to Consolidated Financial Statements

Note B: Acquisition of Blue Ribbon Beef Pack, Inc.—During the year the Company acquired, in exchange for $5,331,000 of its convertible debentures, all the outstanding stock of Blue Ribbon Beef Pack, Inc. which had plants in LeMars and Mason City, Iowa. The acquisition was accounted for as a purchase, and the operations of Blue Ribbon since May 31, 1969, have been included in the accompanying financial statements. The cost in excess of the net assets acquired, amounting to $2,556,000, was allocated to property, plant and equipment.

The United States Justice Department has filed suit under the Clayton Anti-Trust Act in an attempt to require the Company to dispose of the plants acquired. The case has been set for trial on March 2, 1970, and the outcome or its possible financial effect on the Company is not determinable at this date.

TRIANGLE-PACIFIC FOREST PRODUCTS CORP.
Notes to Financial Statements

Note 1: Principles of Consolidation—The accompanying financial statements include the accounts of Triangle-Pacific Forest Products Corp. and all subsidiaries from the dates of organization or acquisition.

On January 2, 1969, the Company purchased all of the outstanding stock of Tubafour Stud Mills Ltd., British Columbia, Canada for $2,227,000 cash and on July 25, 1969 all of the outstanding stock of Ewing Lumber & Millwork Corp. for $3,000,000 cash and 100,000 shares of common stock. These transactions and other acquisitions during the year have been treated as "purchases" for accounting purposes; and their operating results are therefore included herein only from the date of acquisition.

The purchase price of the shares of Tubafour Stud Mills Ltd. in excess of the book value of the assets acquired amounting to $1,496,000 has been included in "Timber Rights" and is being amortized by the Company over 40 years. The excess cost of investment in Ewing Lumber and Millwork Corp. over equity at acquisition amounting to approximately $840,000 is being amortized by the Company over 40 years.

Foreign assets and liabilities have been converted at the appropriate Foreign Exchange rate.

TABLE 1-20: COSTS OF BUSINESS COMBINATIONS

Number of Companies	1969	1968
Costs charged to:		
Additional capital	37	40
Retained earnings	3	6
Other	1	—
Subtotal	41	46
Business combinations reported but no costs disclosed	294	260
No business combination reported	265	294
Total	600	600

COST OF BUSINESS COMBINATIONS

Table 1-20 shows that most companies disclosing business combination costs charge such costs to additional capital. An example of such a charge follows.

WARD FOODS, INC.
Notes to Financial Statements

The Consolidated Financial Statements for 1969 include the accounts of all significant subsidiaries. Three companies were acquired during 1969 in transactions accounted for as purchases, and their operations are included in the statements from the respective dates of acquisition.

Consolidated Statement of Capital Surplus

Balance, Beginning of Year	$33,869,627
Add (Deduct):	
Acquisition and registration expenses	(203,576)
Fair value of warrants issued in connection with senior and subordinated long-term debt	805,592
Cost of 7,000 shares of treasury stock issued in 1969 in connection with an acquisition accounted for as a pooling of interest in a prior year	(318,144)
Common stock issued:	
3% stock dividend	3,080,266
Issuance of stock under restricted stock grants and upon exercise of stock options	1,468,076
Conversion of debentures	3,548,531
For an acquisition accounted for as a purchase	3,797,611
Balance, End of Year	$46,047,983

Opinion No. 16 prescribes the following accounting treatment.

58. The pooling of interests method records neither the acquiring of assets nor the obtaining of capital. Therefore, costs incurred to effect a combination accounted for by that method and to integrate the continuing operations are expenses of the combined corporation rather than additions to assets or direct reductions of stockholders' equity. Accordingly, all expenses related to effecting a business combination accounted for by the pooling of interests method should be deducted in determining the net income of the resulting combined corporation for the period in which the expenses are incurred. Those expenses include, for example, registration fees, costs of furnishing information to stockholders, fees of finders and consultants, salaries and other expenses related to services of employees, and costs and losses of combining operations of the previously separate companies and instituting efficiencies.

76. *Costs of acquisition.* The cost of a company acquired in a business combination accounted for by the purchase method includes the direct costs of acquisition. Costs of registering and issuing equity securities are a reduction of the otherwise determinable fair value of the securities. However, indirect and general expenses related to acquisitions are deducted as incurred in determining net income.

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.

TABLE 1-21: CONTINGENT LIABILITIES AND COMMITMENTS

Nature of Contingency or Commitment*	1969	1968	1965	1960
A: Litigation:				
Nongovernment	80	76	78	75
Government	72	39	61	64
Not identified	88	62	39	17
B: Guarantees:				
Consolidated subsidiaries	34	106	105	79
Unconsolidated subsidiaries and affiliated companies	76			
Other	42	40	36	29
C: Possible tax assessments	63	51	39	42
D: Accounts or notes receivable sold	44	31	38	33
E: Purchase or repurchase commitments	129	93	38	22
F: Additional stock to be issued in connection with a purchase	60	N/C	N/C	N/C
G: Miscellaneous agreements and contracts	76	66	32	39
Total	764	564	466	400
Number of Companies Referring to Contingent Liabilities or Commitments				
On the face of the balance sheet	89	60	36	13
In notes to financial statements or in president's letter only	286	277	247	252
	375	337	283	265
No reference	225	263	317	335
Total	600	600	600	600

NC—Not compiled
* Refer to Company Appendix Section—A: 57, 283, 685; B: 139, 403, 586; C: 30, 254, 628; D: 418, 684; E: 36, 667; F: 193, 291, 691; G: 160, 609.

CONTINGENT LIABILITIES AND COMMITMENTS

Table 1-21 summarizes the nature and frequency of various contingent liabilities and commitments disclosed in the 1969 annual reports of the survey companies. Examples of contingent liability and commitment disclosures are shown below.

Nongovernment Litigation

ALLIS-CHALMERS MANUFACTURING COMPANY
Notes to Consolidated Financial Statements

Note 9 (in part): *Commitments and Contingencies*—Litigation: (a) An action started by the Company in the U. S. District Court for the District of Delaware against White Consolidated Industries, Inc. in December 1968 under Section 7 of the Clayton Act, to enjoin White from, among other things, attempting to obtain control over the Company by voting its shares of the Company's common stock, by increasing its holdings of the Company's common stock or by attempting to elect directors to the Company's Board of Directors. The action also seeks to compel divestiture by White of its holdings of Allis-Chalmers common stock on terms that would not be injurious to the Company. In pursuance of a decision in favor of Allis-Chalmers by the U. S. Court of Appeals for the Third Circuit, and following a denial by the U. S. Supreme Court of White's petition for a review of the Court of Appeals decision, the District Court in January 1970 enjoined White from, among other things, voting shares of Allis-Chalmers stock owned or controlled by it for representation on the Company's Board and from taking steps to increase its holdings of Allis-Chalmers stock, pending outcome of the suit.

(b) An action started by the Company in the U. S. District Court for the Eastern District of Wisconsin against Gulf & Western Industries, Inc. in January 1969, under Section 16(b) of the Securities Exchange Act of 1934, to recover "short-swing profits" realized by Gulf & Western from its sale of 3,248,000 shares of the Company's common stock to White Consolidated Industries, Inc. Gulf & Western has filed an action in the U. S. District Court for the Northern District of Illinois seeking exemption from the provision of such Act on the ground that it was obliged to sell such stock under duress. The first action has been transferred to the U. S. District Court, Northern District of Illinois, for trial.

(c) An action started in the U. S. District Court for the Eastern District of Wisconsin by the Department of Justice against the Company in 1965, under Section 7 of the Clayton Act, to obtain injunctive relief and an order of divestiture arising out of the Company's acquisition of the assets of Simplicity Manufacturing Company. The case has been tried and submitted to the Court.

(d) An action brought against the Company, the individual Directors and others in the Court of Chancery of the State of Delaware by White Consolidated Industries, Inc. in July 1969, to obtain, among other things, rescission of an agreement under which Allis-Chalmers sold 450,000 shares of preferred stock to private investors. White claims damages and is seeking injunctive relief. The case is pending. Generally similar actions have been brought by a shareholder of the Company in the U. S. District Court for the Southern District of New York and the Court of Chancery in the State of Delaware.

(e) An action brought against the Company by White Consolidated Industries, Inc. in February 1969, to obtain rescission of an acquisition agreement between the Company and Standard Steel Corporation, damages and injunctive relief to prohibit the Company from taking any steps which would unreasonably dilute the voting equity of White in the Company. The Company has filed an answer denying the allegations of wrongdoing in the complaint. The action is pending.

(f) An action brought against the Company and the individual Directors by M. Geller, et al. in August 1967, claiming damages arising out of the refusal of the Directors to endorse the Ling-Temco-Vought, Inc. proposal to acquire shares of the Company. The action is pending in the U. S. District Court, Eastern District of New York.

There are various other lawsuits pending agains the Company, arising in the normal course of business.

Management believes, based on the opinion of legal counsel, that the final disposition of the foregoing actions will not have a material adverse effect on the Company's financial position.

ANHEUSER-BUSCH, INCORPORATED

Note 6 (in part): *Commitments and Contingencies*—In May 1968, Beverage Distributors, Inc. (a former wholesaler of the Company whose relationship as a wholesaler had previously been terminated by the Company), filed suit against the Company in the United States District Court for the Northern District of California, alleging violations by the Company of Sections 1 and 2 of the Sherman Act, and seeking a permanent injunction against the Company from engaging in certain alleged illegal acts and treble damages based upon alleged loss of net profits. The Company is contending that this case is without merit and is defending against it.

The Company's 1968 Annual Report disclosed that Beverage Distributors, Inc. had, on January 11, 1967, also filed a suit (involving the same basic issues as are involved in the United States District Court case) against the Company in the Superior Court of the State of California for the County of Los Angeles alleging illegal acts and claiming damages in the amount of $20,000,000. On December 29, 1969, Beverage Distributors, Inc. dismissed this suit without prejudice.

The Company was defendant in certain other lawsuits at December 31, 1969, the ultimate outcome of which cannot be determined at this time. The Company's liability under such suits, if any, would not materially affect its financial condition or operations.

Government Litigation

FALSTAFF BREWING CORPORATION
Notes to Financial Statements

Note 9 (in part): *Commitments and Contingent Liabilities*—The United States Department of Justice has instituted action in the United States District Court of Rhode Island for the purpose of requiring the Corporation to divest itself of the Narragansett Brewing Company acquisition. Management and legal counsel believe that the acquisition is not in violation of the federal anti-trust laws. Certain suits, other than claims covered by insurance, have been filed against the corporations. In the opinion of management and legal counsel the disposition of these suits will not have a materially adverse affect upon the consolidated financial condition of the Corporation and its subsidiaries.

INTERNATIONAL BUSINESS MACHINES CORPORATION
Notes to Consolidated Financial Statements

Significant Litigation (in part): In January 1969, the Department of Justice filed a civil antitrust complaint against IBM under Section 2 of the Sherman Antitrust Act, charging the Company with monopolizing commerce in general purpose digital computers in the United States. The government requests that IBM be forced to stop certain practices which it claims lead to a monopoly. The complaint also contains a general statement asking the court to give such other relief by way of divorcement, divestiture and reorganization as it may deem necessary to dissipate the effects of the practices charged.

IBM denies the charges in all of the foregoing cases and is vigorously defending itself against them.

KENNECOTT COPPER CORPORATION
Notes to Financial Statements

Note 2 (in part): *Acquisition of Peabody Coal Company and Subsidiaries*—In August, 1968 the Federal Trade Commission issued a complaint against Kennecott alleging that the acquisition of the business and assets of Peabody Coal Company and subsidiaries violated Section 7 of the Clayton Act. The complaint seeks divestiture of the acquired assets if such violation is established. Kennecott has filed its answer to the complaints in which it denies that any violation of Section 7 occurred. In accordance with F. T. C. procedures, a hearing before a trial examiner was held. The outcome is not known at this time.

Guarantees of Subsidiaries' and Affiliates' Obligations

MAREMONT CORPORATION
Notes

Note 11: *Other Contingencies and Commitments*—At December 31, 1969, the Company had guaranteed approximately $4,000,000 of loans and discounted receivables relating to its 91.8% owned Spanish subsidiary and approximately $500,000 of loans of its wholly owned French subsidiary. The Company has also guaranteed approximately $2,500,000 of discounted domestic receivables.

MOTOROLA, INC.
Notes to Financial Statements

Note 4 (in part): In July, 1968, a subsidiary formed for the purpose of financing foreign operations of Motorola, Inc. and its subsidiaries issued $30,000,000 of 4½% convertible guaranteed debentures due in 1983. The debentures are convertible into common stock of Motorola, Inc. at the rate of 6.25 shares of common stock for each $1,000 principal amount, subject to adjustment in certain events (see note 7), and are guaranteed as to the payment of principal and interest by Motorola, Inc. The debentures are redeemable at various dates at redemption prices reducing from 104½% to 100% of the principal amount thereof.

OWENS-ILLINOIS, INC.
Notes to Financial Statements

Note 6: *Commitments and Contingencies* (in part)—The Company was contingently liable at December 31, 1969 under guarantees of loans of foreign subsidiaries and associates in the principal amount of $5,385,042 and the guarantee of a loan of Owens-Illinois Overseas Capital Corporation in the unpaid principal amount of $19,144,000.

Tax Contingencies

ACME MARKETS, INC.
Notes to Financial Statements

Note 3: *Income Taxes* (in part)—The Federal income tax returns of the company for its fiscal 1963 and 1964 years have been examined by the Internal Revenue Service, and an examination is currently in progress for 1965-1967. The examining agents have proposed various adjustments, including the extension of lives used in computing depreciation of buildings and leasehold improvements and the capitalization of certain types of improvements which have consistently been expensed. The company is contesting these adjustments, but any additional tax that is ultimately paid would have no effect on net earnings or retained earnings because such adjustments would represent timing differences and payments would be applied against deferred income taxes. To minimize future timing differences, however, the company has modified its policy with respect to capitalizing certain costs of store remodeling and classification of improvements. During the year ended March 29, 1969, items capitalized which would previously have been expensed had the effect of increasing net earnings by approximately $550,000 (18¢ a share).

CERTAIN-TEED PRODUCTS CORPORATION
Notes to Financial Statements

Note 7 (in part): Under date of February 27, 1969, the District Director of Internal Revenue, Philadelphia, Pennsylvania, issued reports to the Company and subsidiaries (including one subsidiary since liquidated) proposing assessments of approximately $13,400,000, exclusive of interest, for the years 1961 through 1965, inclusive. The Company filed a protest to these proposed assessments on July 24, 1969, and with respect to the significant matters included in the reports, the Company believes that it has meritorious defenses and is vigorously contesting the proposed assessments; consequently, no provision has been made therefor in the accompanying financial statements.

POLAROID CORPORATION
Notes to Financial Statements

Contingencies (in part)—The Company has received a report of the Internal Revenue Service proposing additional income taxes for the years 1965, 1966 and 1967 in the aggregate sum $5,574,787, plus interest, resulting from a reallocation by the Internal Revenue Service under IRC §482 of gross income to the Company from certain of its foreign subsidiaries. The Company has been advised by its General Counsel that, in their opinion, such income reallocation is unwarranted and a formal protest has been filed by the Company with the Appellate Division of the Internal Revenue Service. In the opinion of the Company's management, the disposition of such matter will not involve sums having a material effect upon the Company's financial position. Because the amount of liability, if any, is not determinable at this time, no provision for additional liability has been provided in the accompanying financial statements.

Accounts or Notes Receivable Sold

TWENTIETH CENTURY-FOX CORPORATION
Notes to Financial Statements

Note 9 (in part): *Contingent Liabilities, Commitments and Leases*—The company, in addition to commitments in the ordinary course of business, was contingently liable at December 27, 1969 under pending lawsuits and claims, including anti-trust suits, for substantial amounts. Liability on the pending lawsuits and claims has been denied and the amounts, if any, which may ultimately be paid are not expected, in the opinion of the company's counsel, to have a material adverse effect on the consolidated financial condition.

The company is contingently liable for $1,000,000, representing the remaining balance of notes which were sold during 1965 and 1966. These notes were received in connection with the licensing of feature films to a television distributor.

Under the terms of an option granted to the seller to require the company to purchase certain rights, 50,964 shares of the company's common stock may be issued in 1972 in partial payment thereof in lieu of cash.

Purchase Commitments

OLIN CORPORATION
Notes to Consolidated Financial Statements

Note 5: Commitment—The company and Revere Copper and Brass Incorporated, joint owners of the Ormet group, have agreed to purchase Ormet's entire production of primary aluminum at a price equivalent to 100% of Ormet's cost. Such aluminum and the cost thereof are allocable 66% to Olin and 34% to Revere. Depreciation and amortization are included in Ormet's costs each year in amounts not less than its bond maturities. Maturities, in costs to be billed the company, amount to $3,960,000 annually through 1973 and $5,280,000 annually from 1974 through 1978.

REYNOLDS METALS COMPANY
Notes to Consolidated Financial Statements

Note L: Contingent Liabilities and Commitments—Various suits and claims are pending against the Company. In the opinion of the Company's management and of its counsel, disposition of the suits and claims will not involve sums having a material effect upon the consolidated financial position or operating results.

At December 31, 1969, the Company was committed to purchase over a period not to exceed 12 years at then prevailing market prices, a maximum of 230,000 tons of aluminum stockpiled by the United States Government.

The Company is participating with two other companies in a partnership which has constructed an alumina plant in Jamaica having a rated capacity of 950,000 tons per year. The Company has approximately a 37% interest in the project and is committed to take its proportionate share of the alumina produced. The project, consisting of bauxite reserves, mining and related facilities, in addition to the alumina plant, will represent a total investment presently estimated at $239,000,000, of which $133,000,000 has been provided by long-term financing.

R. J. REYNOLDS TOBACCO COMPANY
Notes to Consolidated Financial Statements

Note H (in part): *Commitments*—The Company has signed agreements for the construction during the next four years of five super container ships in the Federal Republic of Germany for a total of 629,000,000 German Marks and three super containerships in The Netherlands for a total of 340,920,000 Dutch Florins. The Company has made an initial payment of $23,900,000 and at present exchange rates, has a remaining commitment of approximately $240,000,000. Interim financing amounting to 80% of the construction cost has been arranged for in Germany and the Netherlands to cover the construction period. It is anticipated that interim financing will be replaced with long-term loans as the ships are delivered.

At December 31, 1969, the Company also had various other capital spending commitments of approximately $42,000,000.

Additional Stock Issuance Based on Future Earnings of Acquired Companies

THE DUPLAN CORPORATION
Notes to Consolidated Financial Statements

Note 1 (in part): *Acquisitions*—As of October 1, 1968 the Corporation acquired all the outstanding stock of Lehigh Knitting Mills, Inc., including 50% of the outstanding stock of Stretchnit of Pennsylvania, Inc., for an aggregate of $4,000,000, comprising cash and a convertible note.

As of January 31, 1969, the Corporation acquired all the outstanding stock of Loftex Inc., for an aggregate of $1,300,000, comprising cash, notes and a convertible note.

As of February 28, 1969, the Corporation acquired all the outstanding stock of Enterprise Machine and Development Corporation for a purchase price of $49,240 in cash and $217,000 in principal amount of 5½% convertible subordinated debentures, plus additional cash amounts payable based on earnings (as defined) for the five-year period ending September 30, 1974. The maximum additional amounts payable would aggregate $250,000 if aggregate earnings for such period equal $1,000,000.

As of June 30, 1969, the Corporation acquired all the outstanding stock of Barbet Sales Company, Inc., and the remaining 50% of the outstanding stock of Stretchnit of Pennsylvania, Inc., (see above) for $1,750,000 in cash and deferred payments, plus additional payments to be made in the Corporation's common stock, based on the net sales (as defined) of the combined Barbet and Stretchnit operations for the five-year period ending September 30, 1974. A maximum number of 8,335 shares of common stock would be paid if net sales for such period equal $50,000,000.

As of June 30, 1969, the Corporation acquired all the outstanding stock of Lawrence Texturing Corp., for $575,000 in cash and 18,382 shares of the Corporation's common stock.

As of July 31, 1969, the Corporation acquired all the outstanding stock of Naomi Knitting Mills, Inc., for an aggregate of $1,470,000, comprising cash, notes and convertible notes.

During the year the Corporation acquired approximately 97% of the outstanding stock of Cap-Roc Inc., for approximately $8,034,000 in cash and $5,647,000 principal amount of 5½% convertible subordinated debentures. Under a Plan of Merger adopted by the Board of Directors on August 21, 1969, Cap-Roc was merged into Duplan on September 30, 1969. As a consequence of such merger, at September 30, 1969, approximately $474,000 principal amount of 5½% convertible subordinated debentures were considered issued for the remaining 3% of stock.

During the year the Corporation was a party to the formation of Duyarntex Limited, a Canadian Corporation, which acquired as of May 31, 1969, all the outstanding stock of Galtex, Ltd. The cost of the Corporation's investment in all the common stock and all the 5% noncumulative preferred stock of Duyarntex is approximately $1,880,000. Duyarntex also has outstanding 3,000 shares of its 4% cumulative preferred stock, par value $100.

Additional payments of approximately $1,360,000 have been paid or accrued through September 30, 1969 to satisfy contingent portions of the purchase price in connection with the acquisitions of Lady Suzanne Foundations, Inc., and Shawmut, Inc., acquired in 1968 and 1967, respectively. At September 30, 1969, the maximum additional amounts contingently payable in connection with these two acquisitions could approximate $5,795,000.

For accounting purposes, all the above acquisitions were accounted for as purchases. The excess of cost over fair market value of assets acquired of the above acquisitions is included on the balance sheet as "Excess of Purchase Price Over Net Assets of Companies Acquired," which the Corporation believes is of such a nature that amortization is not required.

J. J. NEWBERRY CO.
Notes to Financial Statements

Note 1 (in part): The accompanying financial statements include the accounts of the Company and all subsidiaries, including six Canadian subsidiaries—United Stores of Canada, Limited, Oslind Shoppes Limited, Sweet Sixteen, Ltd., McArthur's Ladies Wear Ltd., Harrison's Famous Fabrics Ltd. and Albertino's Shoes Ltd.—acquired as of April 1, 1967, February 1, 1968, August 1, 1968, February 1, 1969, July 1, 1969 and September 1, 1969, respectively. In addition, two domestic subsidiaries—Tradehome Shoe Stores, Inc. and Maternally Yours, Inc.—were acquired as of August 1, 1969 and September 1, 1969, respectively.

The purchase agreements underlying the acquisitions of these companies provide for contingent future payments not to exceed $5,987,000 based on earnings (as defined) for periods ending ap-

proximately three to five years from the respective dates of acquisition. At January 31, 1970, the Company has accrued $1,047,000 for contingent payments under these agreements based on earnings (as defined) through that date.

The sellers of four of these companies have the option of receiving cash or common stock of the Company (see Note 7).

For financial reporting purposes, the acquisitions of the six Canadian and two domestic subsidiaries have been treated as purchases. Accordingly, the operations of these subsidiaries have been included in the consolidated statements of income from the respective dates of acquisition. In this connection, net sales and net income (loss) of the six Canadian subsidiaries aggregated $33,388,000 and ($1,110,000), respectively, for 1970 and $24,192,000 and $122,000, respectively, for 1969.

Note 7 (in part): At January 31, 1970, 77,310 shares of common stock are reserved in connection with the acquisition of certain subsidiaries (see Note 1).

CONTINGENT ASSETS

Accounting Research Bulletin No. 50—Contingencies, previously referred to, also states that:

> 3. . . . However, 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.
>
> . . . .
>
> 5. . . . Although disclosures discussed here should be made with respect to those contingencies which may result in material gains or assets as well as with respect to those which may result in material losses or liabilities, care should be exercised in the case of gains or assets to avoid misleading implications as to the likelihood of realization. . . .

Table 1-22 shows the nature of contingent assets disclosed in the 1969 annual reports of the survey companies. Examples of contingent asset disclosures follow.

TABLE 1-22: CONTINGENT ASSETS

Nature	1969	1968	1967	1966
Operating losses which may be carried forward to offset possible future income taxes	41	30	28	33
Investment credit which may be carried forward to offset future income taxes	37	34	26	25
Claims for refund of taxes	10	8	12	6
Claims for damages for patent infringement	1	4	5	6
Other	5	11	9	2
Total items	94	87	80	72
Number of companies presenting contingent assets	70	70	58	60

Tax Loss and Investment Credit Carry-Forward

AMERICAN ZINC COMPANY

Note 6: Federal Income Taxes—All available federal income tax credits previously have been recorded. The company has an unused loss of approximately $2,800,000 at June 30, 1969, the tax effect of which may be used to reduce future book income tax provisions.

At June 30, 1969, the company has available, as deductions from future income otherwise subject to federal income tax, carryforward losses of approximately $11,000,000 (including the aforementioned $2,800,000) which expire as follows: $1,400,000 in 1972; $2,000,000 in 1973; and $7,600,000 in 1974. At June 30, 1969, the company also has unused investment tax credits of approximately $2,300,000 which, under certain circumstances, may be used to reduce future federal income tax liabilities. Of the total unused investment tax credits, $200,000 expires within the next three years, and $600,000, $800,000, $600,000 and $100,000 in 1973, 1974, 1975 and 1976, respectively.

FIRST NATIONAL STORES INC.
Notes to Financial Statements

Note 4: Federal Income Taxes—No federal income tax payments are required for 1969 due to the Company's net operating loss carryforward. The charge in lieu of federal income taxes in the consolidated statement of income is comprised of the following:

	1969	1968
Loss carryforward benefits realized	$240,000	—
Tax effect of depreciation charged in prior years and now available	380,000	480,000
	$620,000	$480,000

In accordance with recently revised accounting principles the Company has given recognition to a book-tax timing difference relating to depreciation charged to income in prior years which was not then deductible for income tax purposes. As a result of this change the accumulated depreciation has been increased by the cumulative tax effect of prior years which has been charged to other assets and deferred charges, depreciation charges have been reduced by the amount currently allowable and a charge equivalent to the federal income taxes thereon has been provided. The accounts for 1968 have been restated accordingly. These changes had no effect on net income.

At March 29, 1969 the Company has available as a credit against future taxable income through 1973 a net operating loss carryforward of approximately $3,300,000, of which approximately $880,000 relates to book-tax timing differences. The tax benefits relating to these timing differences will be applied to deferred tax accounts when such benefits are realized.

The Company also has at March 29, 1969 unused investment tax credits amounting to approximately $800,000 expiring at various dates through 1976.

MOLYBDENUM CORPORATION OF AMERICA
Notes to Consolidated Financial Statements

Note 5 (in part): *Federal Income Taxes*—At December 31, 1969, approximately $6,700,000 of net operating loss was available to reduce future tax basis income for a maximum period of four years.

At December 31, 1969, the Company had $3,118,000 of investment tax credits available to reduce future income tax payments until 1976, at the rate of not more than 20% of the available credit per annum. The Company reduces its tax provision by the applicable investment tax credit available for use each year.

The Company's tax returns for all years through 1965 have been approved by the Internal Revenue Service.

WYANDOTTE INDUSTRIES CORPORATION
Notes to Financial Statements

Note 3: Federal Taxes on Income—The Company files a consolidated Federal income tax return; accordingly, the refund of Federal income taxes, $541,000, is the result of carrying back a portion of the current year's net operating loss against taxable income in 1966 and 1967.

The Federal income tax returns of the parent company have been examined through November 30, 1967. The Internal Revenue Service is currently examining the consolidated return for the fiscal year ended November 30, 1968. Management believes that adequate provision has been made for any liability payable with respect to all open years.

As of November 30, 1969, approximately $2,300,000 of operating

loss carry forward is available to be applied against taxable income through November 30, 1974 and expires as follows:

1970	$150,000	1971	$ 150,000
1973	200,000	1974	1,800,000

As a result of the current year's net operating loss, deferred tax credits of $210,000, representing deferred taxes charged against income in a prior year, have been applied to income in the current year.

Claims for Refund of Taxes

HOLLY SUGAR CORPORATION
Notes to Financial Statements

Note 5: Federal Income Tax—Claim for Refund: The Internal Revenue Service assessed the company approximately $1,053,000 additional income tax for the year ended March 31, 1968 relating to a deduction taken by the company on the premium in excess of the call premium paid for debentures purchased and retired. The company and its legal counsel are of the opinion that such deduction is permitted by existing judicial precedent, and the company has filed a claim for refund of the assessment.

PARKE, DAVIS & COMPANY
Notes to Financial Statements

Note C (in part): *Taxes on Income*—In connection with the examination of tax returns filed by the Company and certain of its subsidiaries for 1960, the Internal Revenue Service has made a reallocation of earnings between the Company and the subsidiary mentioned above and, as a result, has assessed additional income taxes against the Company for that year.

The Company, upon advice of counsel, has paid this assessment which, with interest, amounted to approximately $990,000. This payment was made in order to be able to establish the Company's position in Court by way of a suit for refund of that amount plus interest.

As a prerequisite to establishing the Company's position, a claim for refund of the amount paid was filed with the Internal Revenue Service on November 30, 1966, and a suit for refund instituted on June 6, 1967.

It is possible that the Internal Revenue Service may propose similar adjustments with respect to operations of years subsequent to 1960. The issues which resulted in the additional assessment for 1960 and which could result in similar adjustment for subsequent years may require, as frequently is the case, a considerable period of time to resolve. The Company estimates that it could be exposed to a possible liability (including applicable interest) through December 31, 1969, which, stated on a per share basis, could approximate $0.18 with respect to 1961 operations; $0.22 with respect to 1962; $0.26 with respect to 1963; $0.30 with respect to 1964; $0.33 with respect to 1965; $0.33 with respect to 1966; $0.33 with respect to 1967; $0.17 with respect to 1968; and $0.12 with respect to 1969.

In the opinion of counsel, the Company should be successful in obtaining a refund of the amount already paid with respect to operations of 1960, plus interest thereon; and also should be successful in establishing the Company's position with respect to any similar adjustments that might be proposed by the Internal Revenue Service relating to operations of years subsequent to 1960. Pending final disposition of the controversy, the Company has charged the amount already paid against available reserves for taxes provided in years prior to 1966. It is not contemplated that it will be necessary to make any specific charge against the earnings of subsequent years with respect to any adjustments of a similar nature that might in the future be proposed by the Internal Revenue Service relating to operations of years subsequent to 1960.

Patent Infringement Claim

ZENITH RADIO CORPORATION
Notes to Financial Statements

Note 2: On May 19, 1969, the Supreme Court of the United States ruled that the Court of Appeals for the Seventh Circuit had erred in setting aside a $19,000,000 judgment in favor of Zenith against Hazeltine. After the reversal by the Supreme Court, the Court of Appeals subsequently reopened the case to permit further evidence on the amount of damages. Zenith has petitioned the Supreme Court for finalization of the $19,000,000 judgment against Hazeltine on the grounds that the further proceedings ordered by the Court of Appeals were not authorized by the Supreme Court. A ruling on the petition is expected in the near future. No reflection of the judgment has ever been made in the financial statements.

Contingent Assets—Other

HAMILTON WATCH COMPANY
Notes to Consolidated Financial Statements

Note 10 (in part): *Contingencies and Commitments, etc.*—The Company filed a claim for contract price adjustment (consisting of 14 subclaims) with an agency of the United States Army in July, 1968 and the agency's contracting officer rejected the claim in June, 1969. The Company is seeking to recover excess costs (and related profit thereon) arising from change orders and faulty plans and specifications that are the responsibility of the Government. The Company has appealed the contracting officer's decision to the Armed Services Board of Contract Appeals, restating the amount of the claim at $5,400,000. For the fiscal year ended January 31, 1969, the Company has included in income $600,000 ($270,000 after related income taxes) representing the approximate amount of certain subclaims as to which, in the opinion of management and counsel, little doubt exists as to recovery. While, in the opinion of management and counsel, the balance of the claim is also technically sound and legally sufficient, it involves engineering, cost and legal principles which require interpretation and resolution. Accordingly, it is not possible to determine the amount which may eventually be recovered on this claim.

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.

Chapter 11 of *Statements on Auditing Procedure No. 33,* issued in 1963 by the committee on auditing procedure of the American Institute of Certified Public Accountants, states in part:

> 1. An independent auditor's report is ordinarily rendered in connection with financial statements which purport to present financial position at a stated date and results of operations for a period ended on that date. Such financial statements are essentially historical in character. Financial statements for a given period represent one installment 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 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 and, therefore, require adjustment or annotation of the statements.

Table 1-23 classifies disclosures of significant post balance sheet events included in the 1969 annual reports of the 600 survey companies.

Examples of post balance sheet event disclosures follow.

TABLE 1-23: POST BALANCE SHEET DISCLOSURES

Capital Stock	1969	1968	1967	1965
Stock split proposed or approved	11	45	23	31
Changes in capital structure	21	23	15	13
Treasury stock transactions including stock acquired for redemption or conversion	—	2	1	6
Extra distributions declared in cash or stock, or dividends omitted	4	12	17	23
Issue of additional stock	20	17	9	3
Stock acquired for redemption, retirement, or conversion	4	2	10	12
	60	101	75	88
Employees				
Welfare, pension, profit-sharing or stock option plans or other employee benefits	9	22	23	43
Union negotiations	—	4	14	19
	9	26	37	62
Property, Plant and Equipment				
Purchased or constructed	3	4	10	23
Sold or operations terminated	12	9	7	16
Catastrophe or expropriation	3	2	—	2
	18	15	17	41
Indebtedness				
Incurred	38	24	27	45
Reduced or refinanced	7	10	16	22
	45	34	43	67
Subsidiary or Affiliated Companies				
Mergers or acquisitions pending, proposed or effected	105	141	113	83
Sold or holdings decreased	13	9	8	12
	118	150	121	95
Other				
Contracts entered into or cancelled	5	9	7	7
Litigation	10	8	7	8
Various other	9	6	6	14
	24	23	20	29
Total	274	349	313	382
Number of Companies				
Referring to post balance sheet events	205	258	235	284
Not referring to post balance sheet events	395	342	365	316
Total	600	600	600	600

Capital Stock

THE BUDD COMPANY
Notes to Financial Statements

Common Shares (in part)—At December 31, 1969, in addition to the 293,250 unissued common shares reserved for stock options, 1,363,636 shares were reserved for conversion of the 5⅞% Convertible Subordinated Debentures. Also reserved were the following shares that the company may be required to issue in connection with acquisitions in 1968 and 1969: a maximum of 340,000 additional shares contingent upon market price of the company's common shares as of a date two years after the date of acquisition, and up to 177,430 additional shares contingent upon attainment of specified earnings levels by the acquired companies. As of December 31, 1969, earnings of one of the acquired companies reached the level specified in the acquisition agreement and, accordingly 82,700 shares were issued early in 1970.

MAULE INDUSTRIES, INC.
Notes to Consolidated Financial Statements

Note 7 (in part): *Capital Shares*—Subsequent to December 31, 1969 the Company issued 24,000 shares of this new class of convertible Preferred Stock. The dividend rate was fixed at 8% and the conversion rate was fixed at 10% over the market value of the common stock at the close of trading on the date said Preferred shares were issued. The shares can be converted at any time after January 15, 1973 and are redeemable by the Company at any time at 105% of par plus accumulated dividends. Of the total 24,000 shares issued, 20,000 shares were issued on January 19, 1970 with a conversion rate of $16.775 per common share (119,225 common shares) and 4,000 shares were issued on February 6, 1970 with a conversion rate of $16.225 per common share (24,653 common shares).

OSCAR MAYER & CO., INC.
Notes to Consolidated Financial Statements

Note F (in part): *Shareholders' Equity*—On December 2, 1969, the shareholders approved a 2,000,000 share increase in the authorized common stock of the company. Following this increase, the Board of Directors authorized a two-for-one stock split to be effected in the form of a stock dividend to shareholders of record on December 26, 1969. Accordingly, the financial statements at October 25, 1969 have been adjusted to give effect to this stock split. The par value of the shares to be issued was transferred to the capital stock account from the available balance of additional paid-in capital ($1,384,836) and from accumulated earnings ($21,602,544).

The Board of Directors has also proposed a change in the company's state of incorporation from Illinois to Delaware, an additional increase in the authorized common stock of the company to 11,000,000 shares, and an authorization of 500,000 shares of $5 par value preferred stock. These proposals will be voted upon at the annual meeting of shareholders on February 3, 1970.

METRO-GOLDWYN-MAYER INC.
Notes to Financial Statements

Capital Stock (in part)—Subsequent to August 31, 1969 convertible debentures having a face value of $4,453,000 were converted into 94,740 shares of the Company's common stock.

Employees

THE HOOVER COMPANY
Notes to Consolidated Financial Statements

Note E: *Share Option Plan*—In February 1970, the Board of Directors of the Company authorized a new qualified stock option plan which will require the release from pre-emptive rights of 200,000 shares of Common Stock. This action is subject to stockholders' approval. The previous share option plan expired in 1968.

Property, Plant and Equipment

AMK CORPORATION

Notes to Consolidated Financial Statements

Note 7 (in part): *Extraordinary Items*—In early 1970 the Company decided to close the Ottumwa, Iowa Plant and three smaller plants of John Morrell & Co. However, with respect to the Ottumwa Plant closing, the announcement stated that discussions are continuing to take place with the unions involved in an effort to prevent this from happening. All parties have indicated a desire to cooperate to avoid the closing of the entire plant and to find an alternative solution. Although these discussions have not yet been concluded, it is the opinion of the Company that any extraordinary costs and expenses will be minimal.

In May 1970, the Company completed its studies with respect to costs it anticipates will be incurred in connection with the closings of the other three plants and as of December 31, 1969 has provided $2,929,000. These estimated costs include pension, severance and vacation pay for employees expected to be terminated, loss on disposition of plant and equipment and certain other closing costs. A portion of these estimated costs, $1,415,000 representing amounts to be paid in 1970, is included in current liabilities. Although the costs ultimately to be incurred cannot be finally determined at the present time, the Company believes, based on its studies, that the provisions recorded represent a fair and reasonable determination of the amounts required.

HARNISCHFEGER CORPORATION

Financial Notes

Note 7: Commitments and Contingent Liability—On November 3, 1969, in accordance with a prior agreement, the Company purchased for cash, certain land, buildings and equipment located in Cedar Rapids, Iowa, and assumed the plant's work-force of approximately 450 employees.

MIDWEST RUBBER RECLAIMING COMPANY

Notes to Financial Statements

Note 6: Subsequent Events—The company's Board of Directors on November 24, 1969 approved the permanent closing of the Chester, Pennsylvania rubber reclaiming plant. Net book value of the plant and related equipment at October 31, 1969 was $275,000. The gain or loss, if any, resulting from this transaction is undeterminable at this time; however, in the opinion of the company the disposition of this property is not expected to have a material effect on the financial statements. See president's letter for additional information.

Report to Stockholders

Chester, Pennsylvania, Plant—In view of the decreased demand for reclaimed rubber, the decision to close the Chester, Pennsylvania, plant on November 24, 1969, was the first step in management's program to consolidate activities and reduce overall operating costs. The capacity of the Chester facility will be incorporated into the East St. Louis and Barberton plants where our customers can be served efficiently and the products manufactured at lower costs.

The Chester plant was the oldest in terms of equipment, and substantial capital expenditures would have been required to update its facilities. With lower reclaim demand, this plant would have shown monthly losses during the next fiscal year due to reduced production activity. This action is expected to result in some initial dollar losses for the corporation by reason of the expenses incurred in accomplishing the closure. However, management feels that these losses will be overcome by the end of the fiscal year through the sale of the assets and economy of operations achieved through consolidation.

Indebtedness

GENERAL AMERICAN TRANSPORTATION CORPORATION

Notes to Financial Statements

Note B (in part): *Long Term Debt*—On February 10, 1970, the Corporation issued $50,000,000 of its 9% Equipment Trust Certificates. Sinking fund payments of $2,500,000 annually, commence in 1971. The proceeds of the issue will be used to repay notes payable to banks and others and to reimburse the treasury of the Corporation in part for funds previously expended for additions to its fleet of specialized tank and freight cars.

REEVES BROTHERS, INC.

Notes to Financial Statements

Note E (in part): Subsequent to June 28, 1969, current borrowings of $9,775,000 were converted to revolving credit notes in accordance with a revolving credit agreement negotiated with certain banks. Under the agreement the Company has the option, subject to meeting certain requirements, of borrowing against short-term notes and of renewing such short-term notes, not to exceed $11,500,000, to June 30, 1972, and then to convert such notes to a term loan due in quarterly installments to June 30, 1974. The revolving credit notes bear interest at the prime rate to July 1, 1970 and thereafter at ¼% over the prime rate.

Subsidiary or Affiliated Companies

THE AMERICAN SHIP BUILDING COMPANY

Notes to Consolidated Financial Statements

Note 8: Subsequent Events—On November 10, 1969, the Company completed the acquisition of Whale Steel, Inc., whose sole asset was a 100% ownership of Nashville Bridge Company, for $5,400,000 of 5.55% subordinated debentures due in 1979 (which are convertible into common shares of the Company at $27 per share). The $5,400,000 approximated the book value. In addition, the Company guaranteed a $10,000,000 bank term loan (with interest at 2% above the prevailing prime rate and secured by all of the stock of Nashville Bridge Company) of Whale Steel, Inc. payable as follows: fiscal year 1970—$75,000; 1971—$775,000; 1972—$1,000,000; 1973—$1,000,000; 1974—$1,000,000 and 1975—$6,150,000.

DAYCO CORPORATION

Notes to Financial Statements

Note H: Subsequent Events—Subsequent to October 31, 1969, the Corporation sold its wholly-owned subsidiary, Hardman Aerospace for a price in excess of book value. The effect of this transaction will be reported in the fiscal year ending October 31, 1970. Hardman represented approximately 4% of consolidated sales for the year ending October 31, 1969.

LIBBEY-OWENS-FORD COMPANY

Notes to Consolidated Financial Statements

Note J: Acquisitions Subsequent to December 31, 1969—On January 9, 1970, shareholders of Woodall Industries Inc. approved a merger agreement with the Company. Under the terms of this agreement, a new wholly-owned subsidiary of the Company will exchange approximately 139,000 shares of Series A Preferred Stock for all of the outstanding common stock of Woodall Industries Inc. The Company anticipates that this transaction will be consummated in February, 1970.

On December 17, 1969, the Company, through a new wholly-owned foreign subsidiary, made an offer to the stockholders of Super Oil Seals and Gaskets Limited of England to acquire all of its outstanding capital stock for $33,000,000 in cash or 7% notes. The 7% notes will be due on December 31, 1972, but the holders of the notes may exercise an option to have the Company redeem the notes upon 90 days notice. As of January 14, 1970, over 90% of the capital stock had been tendered (approximately 89% for cash and 11% for 7% notes) and the Company anticipates that it will acquire all of the capital stock during 1970. The Company has arranged interim financing for this acquisition with two banks in England. This interim financing expires in December, 1972.

These transactions will be accounted for as purchases, and the financial statements of Woodall Industries Inc. and Super Oil Seals and Gaskets Limited will be consolidated with the Company's statements beginning in 1970.

PEPSICO, INC.

Notes to Consolidated Financial Statements

Note 8: Subsequent Event—On February 27, 1970 the Company purchased a 74% interest in the Wilson Sporting Goods Co. from Ling-Temco-Vought, Inc. for $63,000,000 or the equivalent of $17.50 per comon share of Wilson stock. The Company intends to acquire the remaining 26% publicly held interest in Wilson.

Lease Agreement

BATH INDUSTRIES, INC.
Financial Report

Lease Commitments—In January 1970, the company entered into a commitment to lease a manufacturing facility. The lease is non-cancellable for an initial 15 year term with annual rentals of $730,000. At the end of the initial term, the company has an option to purchase the facility for approximately $1,320,000 or to lease the facility for an additional twenty-five years.

CRADDOCK-TERRY SHOE CORPORATION
Notes to Consolidated Financial Statements

Note 4 (in part): *Properties and Equipment*—Properties and equipment include $900,000 for plants in Lynchburg and Gretna, Virginia, built under leases with two Industrial Development Authorities. Rentals are payable to 1989 and the Company may purchase the properties for nominal amounts after March 15, 1978, and terminate the leases upon payment of the remaining rentals. For the financial statements and income tax purposes, these transactions are being treated as facilities owned by the Company and the related obligations under the leases are included in the balance sheet as long-term debt.

After the close of the current fiscal year, the Company entered into a lease with an Industrial Development Authority for a plant to be built in Blackstone, Virginia. This transaction will be accounted for in a manner similar to that described above.

TABLE 1-24: GOVERNMENT CONTRACTS AND DEFENSE BUSINESS

Balance Sheet Information	1969	1968	1967
Shown in currents assets:			
Accounts receivable—government	30	31	36
Inventory less billing or progress payments received	23	13	16
Unbilled or reimbursable costs	7	18	20
Shown in current liabilities	2	—	3
Total	62	62	75
Number of Companies Referring to Government Contracts or Defense Business			
In balance sheet presentation	42	45	51
In report, but not included in balance sheet presentation	100	132	101
Not referring to contracts, defense business, etc.	458	423	448
Total	600	600	600

U. S. GOVERNMENT CONTRACTS

The committee on accounting procedure of the American Institute of Certified Public Accountants, in *Accounting Research Bulletin 43,* 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. The Accounting Principles Board of the Institute, in its *Opinion No. 9,* recommends that the difference between a renegotiation refund and the provision therefor be shown in the current income statement, or as a prior period adjustment, as appropriate.

The number of companies indicating government contracts or defense business in their annual reports has decreased from 278 in 1955 to 142 in 1969. There were 42 companies which made specific references to United States Government contracts or defense business within the balance sheet, and 100 companies which included such information elsewhere in their annual report.

The amount and nature of the information given in the 1969 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 only disclosed that contracts existed.

Special features applicable to United States Government contracts, some of which are listed below, were disclosed by 50 of the companies.

Special Feature

- Price redetermination or contract adjustment clause
- Certain assets pledged as collateral or security, or title vested in U. S. Government, for loan or financial aid from government
- Government-owned plant and equipment operated by company
- Certain receivables due to company from government pledged to secure loans obtained from non-government sources

The following examples illustrate the methods of disclosure used by the survey companies regarding United States Government contracts.

Accounts Receivable—Government

AMERICAN ELECTRONIC LABORATORIES, INC.
Current Assets:

Accounts receivable, principally United States Government—Note B	$10,510,404
Inventories of purchased materials, finished products, and engineering services, at lower of cost or market—Note B	3,258,450

Note B: The Company records as sales, on a percentage-of-completion basis, the costs incurred and related profits or losses on its contracts including fixed-price Government contracts with progress payment provisions. Included in accounts receivable are unbilled costs and related profits of $6,463,286 (1969) and $4,899,840 (1968) in excess of progress billings of $10,136,540 (1969) and $9,273,984 (1968). In addition, costs of $148,727 (1969) and $289,792 (1968) on cost-plus-fixed-fee Government contracts are included.

Accounts receivable, unbilled costs and inventories totaling approximately $12,100,000 at November 30, 1969, have been assigned to the bank as collateral for notes payable of $5,500,000.

AVCO CORPORATION

Assets:

Receivables	(thousands of dollars)
U. S. government contracts	$127,119
Commercial	71,899
	$199,018
Inventories, at lower of cost or market	
U. S. government contracts	$181,859
Progress payments	(117,579)
Commercial products and real estate	169,288
	$233,568

INTERNATIONAL HARVESTER COMPANY

Current Assets:

Notes and accounts receivable (page 23) less allowance for losses and unearned interest: 1969—$11,327,911)	$399,338,601

Financial Review (page 23)

Receivables—Practically all notes receivable arising from operations in the United States, Canada, and Australia are sold to wholly-owned finance subsidiaries operating in those countries. Receivables as shown in the tabulation below include $33,154,000 at October 31, 1969, and $43,429,000 at October 31, 1968, representing balances due from finance subsidiaries.

By geographical areas, in thousands of dollars, receivables of the consolidated group were as follows at the end of 1969 and 1968 fiscal years:

	1969	1968
United States	$221,359	$200,249
Canada	17,685	21,755
Europe and Africa	93,454	73,106
Latin America	26,710	23,438
Pacific area	40,131	37,946
Total	$399,339	$356,494

Receivables due from the United States government at the close of 1969 and 1968 fiscal years included in the above are $15,786,000 and $9,789,000 respectively. Included above at October 31, 1969 were receivables amounting to $38,660,000 maturing after October 31, 1970.

Inventory Less Billings or Progress Payments Received

HARSCO CORPORATION

Current Assets:

Inventories	$44,617,000

Notes to Consolidated Financial Statements:

Note 2: Inventories—Inventories at the balance sheet dates are classified and are valued on various bases as indicated in the following summary (1968 reclassified for comparative purposes):

	Dec. 31, 1969	Dec. 31, 1968
Classification:		
Finished goods	$11,922,000	$13,863,000
Work in process*	12,285,000	14,252,000
Raw materials and purchased parts	18,001,000	16,251,000
Stores and supplies	2,409,000	1,925,000
	$44,617,000	$46,291,000
Valued at lower of cost or market:		
First-in, first-out basis	20,134,000	23,147,000
Average cost basis	23,161,000	21,666,000
Last-in, first-out basis	1,322,000	1,478,000
	$44,617,000	$46,291,000

* Includes U. S. Government fixed price contract costs of $984,000 and $4,782,000 as of December 31, 1969 and 1968 after progress payments of $210,000 and $984,000, respectively. The U. S. Government has a lien on inventories to the extent of progress payments relating thereto.

HOFFMAN ELECTRONICS CORPORATION

Current Assets:

Inventories, at the lower of cost (first in, first out) or market	$1,154,520
Government contract inventories, less progress payments (1969—$3,988,324)	3,340,843

THE MAGNAVOX COMPANY

Current Assets:

Accounts receivable—	
Customers and others, less allowance for doubtful accounts of $1,328,000 in 1969	$ 61,915,530
U. S. Government and others under defense contracts	33,101,864
	$ 95,017,394
Inventories, at lower of cost (first-in, first-out) or market—	
Raw materials and supplies	$ 20,637,275
Work in process	19,929,273
Finished goods	31,583,263
Defense contract inventories and other costs, less billings for progress payments of $43,566,059 in 1969	29,255,991
	$101,405,802

RCA CORPORATION

Current Assets:

Receivables	
U. S. Government	$ 57,684,000
Other (less reserve: 1969, $19,304,000)	551,493,000
Inventories, at lower of cost, on a first-in, first-out basis, or market	
Plant inventories and government contracts (less progress payments: 1969, $35,141,000)	179,904,000
Finished goods	228,351,000

Unbilled or Reimbursable Costs

LEAR SIEGLER, INC.

Current Assets:

Notes and accounts receivable	
Commercial and other	$62,208,082
Government	29,375,414
	91,583,496
Less allowances	2,546,614
	$89,036,882
Costs recoverable under government contracts	$32,508,316
Less progress billings	7,100,526
	$25,407,790

NORTH AMERICAN ROCKWELL CORPORATION

Current Assets:

Unreimbursed costs and accrued profits to be billed, principally related to United States Government contracts	$217,916,000
Inventories, less progress payments: 1969, $204,221,000	492,488,000

Note 4: Inventories—Inventories are stated at the lower of cost or market. The major portion of the inventories, before reduction for progress payments wherein title to the related inventories vests in the United States Government, represents accumulated costs under fixed-price-type contracts and subcontracts in process (principally United States Government) less credits for partial deliveries and reductions to estimated realizable values where necessary.

WESTINGHOUSE ELECTRIC CORPORATION

Current Assets:

Recoverable engineering and development costs (Government contracts)	$45,242,411

BACKLOG INFORMATION

The number of companies presenting backlog information for the company as a whole or for one or more divisions, but not all divisions, of the company is shown in Table 1-25. Several examples of the presentation of backlog information are shown below.

It should be noted that many companies do not have backlog information since they produce for inventory and not to order.

THE BABCOCK & WILCOX COMPANY

Letter to Stockholders

All major product lines, with the exception of atomic energy, registered increased bookings in 1969 and new orders for the year totaled $812,758,000. The backlog at the end of the year rose to $1,747,787,000. Of the backlog, approximately one-half is for atomic energy work. A substantial part of the balance is for fossil fuel steam generating equipment scheduled for shipment in the next two years and the outlook for continuing business in this product line is excellent.

1969 Highlights

	1969	1968
Orders received	$ 812,758,000	$ 911,082,000
Unfilled orders	1,747,787,000	1,653,595,000

CURTISS-WRIGHT CORPORATION

To the Stockholders

An analysis of consolidated backlog reflects the changing nature of Curtiss-Wright. While our 1969 shipments and earnings continued to be generated principally in the aerospace market, products in the nuclear and industrial groupings will clearly play an increasingly important role in Curtiss-Wright's future. At year's end, the consolidated backlog broke down into 49% for aerospace products, 29% for nuclear products and 22% for industrial products, the latter including the backlog of Dorr-Oliver and its subsidiaries. Thus, nuclear and industrial products constitute more than half of consolidated backlog, a substantial increase over previous years.

Financial Highlights

	1969	1968
Unshipped customers' orders on hand at year-end	$292,273,000	$179,995,000

Financial Review

Backlog rose for the fifth consecutive year to $292,273,000 on a consolidated basis and to $231,116,000 for Curtiss-Wright alone at December 31, 1969, compared to $179,995,000 at the end of 1968. This represents an increase for Curtiss-Wright alone of 28% over backlog at the beginning of the year.

TABLE 1-25: BACKLOG INFORMATION

Number of Companies	1969
Presenting amount of backlog for company as a whole or for specific division of company	71
No amount for backlog presented	529
Total	600

HAZELTINE CORPORATION

Year in Review

Backlog at the end of the year was $48.5 million, as compared to $59.8 million a year ago.

Products and Marketing

1969 contract sales and year-end backlog are in product lines as indicated:

	1969 Sales	Backlog December 31, 1969
Identification Friend or Foe	49%	63%
Displays	6%	17%
Anti-Submarine Warfare	8%	5%
Electronic Battlefield	30%	9%
Industrial Products	4%	4%
Other	3%	2%

Approximately 20% of 1969 contract sales were for research and development, and approximately 80% for manufacturing.

OTIS ELEVATOR COMPANY

Financial Review

Contract Bookings—United States contracts booked for 1969 of $367,775,000 compare with the prior year's amount of $278,263,000. The 1969 amount includes the balance of the Port of New York Authority World Trade Center contract of $19,500,000. The 1969 bookings are 32% over the 1968 amounts. International bookings for 1969 of $300,702,000 (including $24,957,000 for Germany) increased 22% over the prior year's amount of $247,049,000. The 1969 booking amounts shown below are again all time highs for our consolidated companies.

	1969	1968
	(Thousands of Dollars)	
United States		
New Elevators and Escalators	$193,536	122,020
Maintenance Services	80,067	72,930
Modernization and Repair	24,367	24,559
Export	1,458	687
Diversified Operations	68,347	58,067
United States	$367,775	278,263
International		
New Elevators and Escalators	$209,640	171,392
Service and Maintenance	91,062	75,657
International	$300,702	247,049
Total	$688,477	525,312

Contracts completed in 1969 totaled $535,777,000 (including $18,462,000 for Germany), and compare to $460,085,000 for 1968. Other revenue consisting of apportioned administrative and sales overhead costs on uncompleted contracts was $25,224,000 in 1969 compared with $20,670,000 in 1968. The uncompleted contracts at December 31, 1969 amounting to $770,451,000 and the unbilled amount of such contracts of $487,501,000 are both record highs and indicate a substantial backlog of business to start the 1970 year.

The uncompleted contracts in progress for elevator and escalator installations and service contracts shown on the Consolidated Balance Sheet are stated at the standard cost of manufactured products and actual installation costs plus apportioned administrative and sales overhead costs.

SEC REPORTING

The Securities and Exchange Commission, in its regulations governing solicitation of proxies, states in part in Rule 14a-3(b) that:

Any differences, reflected in the financial statements in the report to security holders, from the principles of consolidation or other accounting principles or practices, or methods of applying accounting principles or practices, applicable to the financial statements of the issuer filed or proposed to be filed with the Commission, which have a material effect on the financial position or results of operations of the issuer,

shall be noted and the effect thereof reconciled or explained in such report. Financial statements included in the report may, however, omit such details or employ such condensation as may be deemed suitable by the management, provided that such statements, considered as a whole in the light of other information contained in the report shall not by such procedure omit any material information necessary to a fair presentation or to make the financial statements not misleading under the circumstances.

Sixteen companies, of the 600 companies surveyed, explained differences between the treatment or presentation of certain accounting facts as reported to security holders and the treatment accorded the same items in filings with the Commission. Other companies may have furnished information of a similar nature in their annual reports to stockholders, but without reference to Proxy Rule 14a-3 or to the Commission.

Explanations given for the differences in treatment are summarized in Table 1-26.

Examples of some of the disclosures of differences between financial reporting and reporting to the Securities and Exchange Commision are set forth below.

TABLE: 1-26: DIFFERENCES BETWEEN REPORTS TO STOCKHOLDERS AND REPORTS TO THE SEC

Nature of Difference	1969	1968	1965
A different classification of costs and expenses in report to the SEC	9	8	8
Separate financial statements for one or more subsidiaries or affiliates in report to the SEC	6	4	5
Other	1	2	5
Total	16	14	18

Different Classification of Costs and Expenses in SEC Report

ASSOCIATED DRY GOODS CORPORATION
Notes to Consolidated Financial Statements

Note J: Securities and Exchange Commission Annual Report—In addition to these financial statements, the Corporation will submit an annual report to the Securities and Exchange Commission in which the details of costs and expenses will be reclassified as follows:

Cost of sales (including buying and occupancy costs)	$526,784,000
Selling, general and administrative expenses	203,669,000
Interest	6,833,000
	$737,286,000

GIMBEL BROTHERS, INC.
Notes to Financial Statements

Note 9: In the Corporation's annual report to the Securities and Exchange Commission, the details of cost and expenses will be reclassified as follows:

Cost of goods sold (including occupancy and buying costs)	$509,039,052
Selling, general, publicity and administrative expenses	151,830,726
Interest and debt expense	4,472,648
	$665,342,426

LOWE'S COMPANIES, INC.
Notes to Financial Statements

Note 6: Cost and Expenses—The Company's cost and expenses are classified as follows in its annual report to the Securities and Exchange Commission:

	7-31-69	7-31-68
Cost of sales, buying, warehousing and occupancy expense	$ 98,485,758	$80,612,062
Selling, administrative and general expenses	10,379,034	8,405,112
Provisions for bad debts	526,378	561,110
Interest and loan expenses	267,434	268,155
Total costs and expenses	$109,658,604	$89,846,439

Separate Financial Statements for Affiliates or Subsidiares in SEC Report

ARMCO STEEL CORPORATION
Notes to Financial Statements

Note 10 (in part): *Commitments and Contingencies*—Armco and the other 50% shareholder of Reserve Mining Company are obligated, until the outstanding principal amount of first mortgage bonds (Series A, $83,422,000; Series B, $68,800,000) of Reserve is paid in full, to take the entire production of Reserve, and, as to each half-owner, to pay 50% of Reserve's operating costs and interest charges. If and to the extent that Reserve shall not have made the necessary payments, each shareholder is also obligated to pay one-half of amounts needed by Reserve for (a) fixed sinking fund requirements and final maturity amount on the said bonds, and (b) certain future capital replacements. Separate financial statements for Reserve are included in reports filed annually with the Securities and Exchange Commission.

McCORMICK & COMPANY, INCORPORATED
Notes to Financial Statements

Note B: The consolidated financial statements include all wholly-owned subsidiaries. The Company's investments in Maryland Properties, Inc., an unconsolidated subsidiary, and 50%-owned companies are stated at cost plus share in net earnings since acquisition. At November 30, 1969, the assets and liabilities of Maryland Properties, Inc. and its consolidated subsidiaries were $31,679,000 and $31,389,000, respectively. Separate financial statements of this subsidiary are filed with the Securities and Exchange Commission.

Excess cost of acquisition of consolidated subsidiaries is being amortized over a ten-year period.

Reserve Shown Above Shareowners' Equity to be Included in Shareowners' Equity for SEC Report

DRESSER INDUSTRIES, INC.

Liabilities and Shareowners' Equity	(In Thousands of Dollars)
Reserve for Foreign Business Risks (Classified as part of shareowners' equity in reports filed with the Securities and Exchange Commission)	$5,000
Minority Interests in Subsidiaries	
Shareowners' Equity	

OPINIONS OF THE ACCOUNTING PRINCIPLES BOARD

References to opinions of the Accounting Principles Board are summarized in Table 1-27. A significant decrease from 1968 is noticeable. Since *Opinion No. 11* was released in December, 1967, many companies previously indicated compliance. The release of *Opinion No. 15,* effective for fiscal periods beginning after December 31, 1968, did not apply to the reports of all companies included in this survey.

Examples of references to the opinions are grouped by opinion numbers.

Opinion No. 15—Earnings Per Share

BURROUGHS CORPORATION
Notes to Consolidated Financial Statements

Note 11: Net Income Per Share—Net income per share is based on the average number of shares of common stock outstanding. The convertible debentures outstanding during the year and the common stock reserved under employee stock options granted are considered to be common stock equivalents under Opinion Number 15 of the Accounting Principles Board of the American Institute of Certified Public Accountants, but these have not been included in the computation of net income per share because the aggregate potential dilution resulting therefrom is less than two percent.

WHITE MOTOR CORPORATION
Notes to Financial Statements

Note H: Net Income per Common Share—Net income per common share assuming no dilution has been computed based on average shares outstanding during the year after reducing net income by the dividend requirement for Preferred Stock. Net income per common share assuming full dilution has been computed assuming the conversion of 5¼% Convertible Subordinated Debentures and exercise of dilutive stock options after adding to net income interest on the debentures net of income taxes. In 1969, the conversion of Series A, Cumulative Convertible Preferred Stock would have had a beneficial effect on net income per common share assuming full dilution, and as a consequence has been excluded from such computation in accordance with an opinion of the Accounting Principles Board.

TABLE 1-27: REFERENCE TO APB OPINIONS

Opinion Number	Title	1969	1968	1967
15	Earnings per Share	42	—	—
14	Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants	1	—	—
12	Omnibus Opinion—1967	—	7	5
11	Accounting for Income Taxes	23	76	6
10	Omnibus Opinion—1966	—	5	9
9	Reporting the Results of Operations	3	19	28
8	Accounting for Cost of Pension Plans	3	7	14
7	Accounting for Leases in Financial Statements of Lessors	—	—	1
6	Status of Accounting Research Bulletins	—	—	1
5	Reporting of Leases in Financial Statements of Lessee	3	5	4
	Total References	75	119	68

MARCOR INC.
Notes to Financial Statements

Earnings Per Share—Earnings per share for the year ended January 31, 1970 have been calculated as follows:

	Common and Common Equivalent Shares	Assuming Full Dilution
Average number of common shares outstanding	12,692,190	12,692,190
Common stock equivalents due to assumed exercise of options	99,636	114,612
Average number of Series A preferred shares outstanding	—	6,513,378
Series A preferred stock equivalents due to assumed exercise of options	—	175,154
Total shares	12,791,826	19,495,334
Net earnings	$66,950,000	$66,950,000
Less—preferred dividend requirements based on average number of preferred shares and preferred equivalent shares outstanding during year	13,372,000	—
Net earnings used in per share calculations	$53,578,000	$66,950,000
Net earnings per share	$4.19	$3.43

Net earnings per common share and common equivalent share and net earnings per common share assuming full dilution have been restated for preceding years to comply with an opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants issued in May 1969.

THE NATIONAL CASH REGISTER COMPANY
Financial Review

Earnings Per Share—Opinion Number 15 of the Accounting Principles Board of the American Institute of Certified Public Accountants established new procedures during 1969 for presenting earnings per share. The principal effect is to recognize potential dilution for the investor by a dual presentation of earnings per share on the income statement.

Under this new method, earnings per share of common stock were:

	1969	1968	% Change
Primary earnings per share	$4.12	$3.78	9
Fully diluted earnings per share	4.11	3.67	12

The company believes that the latter presentation represents a more accurate comparison with the prior year's earnings.

Opinion No. 14—Accounting For Convertible Debt and Debt Issued With Stock Purchase Warrants

LING-TEMCO-VOUGHT, INC.
Financial Notes

Note M: Restatements Arising from Debt Issued with Stock Purchase Warrants—As a result of the issuance in March, 1969, of Opinion No. 14 cf the Accounting Principles Board relating to debt issued with stock purchase warrants, the accompanying financial statements for the year ended December 31, 1968, give retroactive effect to substantial adjustments applicable to issues of such securities by the Company and certain of its subsidiaries in 1967 and 1968. This new accounting pronouncement requires that in the case of debt issued with stock purchase warrants the portion of the consideration which is allocable to the warrants should be accounted for as paid-in capital and that any discount on the debt securities resulting from such allocation should be accounted for as such. The principal effects of this requirement on the consolidated statements for 1968 were a decrease in investments in unconsolidated subsidiaries and affiliated companies of $36,272,000, an increase in unamortized debt expense of $152,859,000, an increase in minority interests in subsidiaries of $9,684,000, an increase in capital surplus of $72,062,000 and an increase in retained earnings of $41,052,000. The adjustments to recognize debt discount under this new requirement reduced previously reported net income for 1968 by $6,933,000, of which $4,159,000 was for amortization of debt discount and $2,774,000 a reduction in the extraordinary gain on retirement of debt.

Opinion No. 11—Accounting for Income Taxes

ARCHER DANIELS MIDLAND COMPANY
Notes to Financial Statements

Note 9: Income Taxes—Investment credit of $851,000 for 1969 and $686,000 for 1968 has been included in the statement of earnings as a reduction of income taxes applicable to operating earnings.

Deferred income taxes represent the tax effect of timing differences in reporting income and expenses for financial and income tax purposes. Certain deferred income taxes, which have previously been deducted from assets and liabilities to which they relate, have been classified in the consolidated statement of financial position in accordance with Opinion 11 of the Accounting Principles Board. Thus the effect on current accounts is included in prepaid expenses ($1,331,046—1969, $1,844,532—1968) and the effect on non-current accounts in other liabilities (Note 7). 1968 assets and liabilities have been restated on a comparable basis. The foregoing changes had no effect on reported earnings.

BEATRICE FOODS CO.
Notes to Consolidated Financial Statements

Note 2: Accounting for Income Taxes—In the current year the Company adopted the recommended procedures in accounting for income taxes set forth in Opinion No. 11 issued by the Accounting Principles Board of the American Institute of Certified Public Accountants. Accordingly, certain accounts previously stated in the balance sheet on a net of tax effect basis are now stated on a gross basis and the related tax effects are classified as deferred taxes. The figures for the preceding year have been restated for purposes of comparison. This restatement had no effect on working capital or stockholders' equity. The application of Opinion No. 11 had no material effect on the determination of net earnings for the year ended February 28, 1969.

The provision for income tax expense for the year ended February 28, 1969 comprises the following:

Current taxes	$41,500,000
Provision for deferred tax on excess of tax depreciation over financial depreciation (Note 3) and increase in deferred investment credits	920,000
Credit for prepaid tax applicable to deferred gains on sale-and-leaseback transactions (Note 5) and other differences between tax and financial income	(1,920,000)

OSCAR MAYER & CO. INC.
Notes to Consolidated Financial Statements

Note E: Deferred Income and Income Taxes—The company has adopted retroactively Opinion 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants relating to accounting for federal income taxes. No adjustment of net income for prior periods was necessary in making this adoption as the company had provided related federal income taxes in the past on the differences between income reported for financial and for tax purposes. The amounts which in prior periods had been reported either net of tax or aggregated with income taxes payable are included in the current year's accounts on a gross basis. The accounts for 1968 have been restated for comparative purposes, including a reclassification of deferred executive compensation from current liabilities to conform to the current year's presentation.

Deferred Income and Income Taxes comprises:

	1969	1968
Taxes payable in future years as a result of differences between depreciation for financial reporting and for tax purposes (Note C)	$ 536,000	$ —
U. S. income taxes to be paid by the parent company upon receipt of dividends equal to its share in the income of foreign subsidiaries	1,021,290	737,000
Accumulated future tax benefits, primarily due to deferred compensation, which are deductible for tax purposes when paid	(535,300)	(446,300)
Unamortized investment tax credits which were treated as deferred income (until April 19, 1969, the proposed effective date for repeal by Congress) in the years in which the related properties were acquired and which are being amortized over the lives of such properties	1,430,411	1,173,330
Deferred income from sale of machine rights	232,500	274,500

GETTY OIL COMPANY
Consolidated Review (Page 4)

Of the $13,507,000 reported as extraordinary items, $4,054,000 was a gain from the sale of the stock of Getty Oil Italiana, which operated a refinery at Gaeta, Italy, and $9,453,000, represented the benefits from tax-timing differences between financial accounting and taxable income, in accordance with Opinion 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants.

Opinion No. 9—Reporting the Results of Operations

THE BENDIX CORPORATION
Statement of Consolidated Income

Per Share of Common Stock—(Computed in accordance with Opinion No. 9 issued by the Accounting Principles Board of the American Institute of Certified Public Accountants):

Income before extraordinary item ....
Extraordinary item, net of income taxes ....
Net income per share ....

GENERAL HOST CORPORATION
Notes to Consolidated Financial Statement

Note 8: Earnings Per Share—Primary net income per share is based on the weighted average number of shares of the Company's common stock outstanding during each year after giving retroactive effect to the issuance in July 1968 of nine-tenths of a share of the Company's common stock in exchange for each share of L'il General Stores, Inc. common stock.

The originally reported 1968 primary net income per share of $1.54 has been recomputed in accordance with the provisions of Accounting Principles Board Opinion No. 9 under which the Company's 5% convertible subordinate notes issued in October 1968 are not deemed to be common stock equivalents.

Conversion of the Company's 5% convertible subordinate notes and exercise of outstanding warrants and options would have no dilutive effect on 1969 earnings per share. Fully diluted net income per share for 1968 is based on the weighted average shares of the Company's common stock outstanding, including from date of issuance the common stock equivalent of the Company's 5% convertible subordinate notes, shares issuable under outstanding employee stock options and the warrant to purchase 184,146 shares of the Company's common stock at $28.51 per share. In making this computation, the interest expense on the 5% notes, net of related federal income taxes, was added back to net income and the proceeds from the options and warrants were assumed to be used to purchase the Company's common stock.

Opinion No. 8—Accounting for the Cost of Pension Plans

ACF INDUSTRIES
Notes to Consolidated Financial Statements

Note 7: Pension Expense—Several non-contributory pension plans cover substantially all of the Company's employees. The Company's general policy is to fund pension expense, which includes amortization of prior service cost over 40 years. Pension expense was $3,475,000 in 1969 (1968—$2,415,000).

Effective in 1969, a new labor contract included provision for vested pension rights for certain qualified active employees which substantially increased the amount of vested pension benefits. As of December 31, 1969 the actuarially computed value of benefits considered vested as defined in Opinion No. 8 of the Accounting Principles Board exceeded the assets of the related trust fund by $11,200,000.

For all other plans, the assets of the several trust funds, plus balance sheet accruals exceeded the actuarially computed value of vested benefits at December 31, 1969.

Opinion No. 5—Reporting of Leases in Financial Statements of Lessee

THE WURLITZER COMPANY
Notes to Financial Statements

Note 4: Changes in Accounting Procedure—The Company made certain changes in accounting procedures during 1969 to comply with Opinions Nos. 5 and 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants.

The long-term leases under which the Company occupies plant facilities in Mississippi are now accounted for as installment purchases of property and the assets and corresponding liabilities are included in the accompanying balance sheet. The balance sheet as of March 31, 1968 has been restated to include these assets and liabilities on a comparable basis. A further addition of approximately $800,000 to the Mississippi plant facilities is now under construction under similar lease arrangements..

Prior to 1969, the Company provided deferred income taxes on differences in earnings determined for tax and financial accounting purposes resulting from variations in methods of computing depreciation and realized gross profit on installment sales. In 1969, the Company also recorded the income tax effect of the excess of provisions for losses on receivables over amounts expected to be deductible currently.

Net earnings for 1969 were increased approximately $301,000 as a result of these changes in accounting.

Other References to the A.I.C.P.A.

BOISE CASCADE CORPORATION
Financial Matters

The American Institute of CPA's is currently developing new guidelines for the accounting to be followed when two companies combine. Under their proposal, accounting for mergers as poolings of interests would be applicable to very few situations. We do not expect the changes, if adopted and uniformly applied, to affect our growth. We have always looked to the business advantages of proposed acquisitions rather than the form of the accounting to be applied.

EXTENDICARE, INC.
Notes to Financial Statements

Note 2: Medicare Revenues—Straight-line depreciation has been used for financial reporting purposes, but the Company has used accelerated depreciation methods on buildings for Medicare cost reimbursement purposes. In July 1969, the Committee on Health Care Institutions of the American Institute of Certified Public Accountants recommended that in such situations revenues resulting from this timing difference be deferred. Such revenues had not been deferred because the Company could not predict the effect of the possible reversal of such aggregate differences and did not anticipate any significant related effect on future revenues. The Company intends to adopt as of September 1, 1969, the alternative method proposed by the Committee. Had such revenues been deferred, net income for 1968 and 1969 would have been reduced by approximately $33,200 ($.02 per share) and $45,700 ($.02 per share), respectively.

PRICE LEVEL INFORMATION

In June 1969 the Accounting Principles Board issued *Statement No. 3—Financial Statements Restated for General Price-Level Changes*. Paragraph 25 of Statement No. 3 is shown below.

> 25. The Board believes that general price-level financial statements or pertinent information extracted from them present useful information not available from basic historical-dollar financial statements. General price-level information may be presented in addition to the basic historical-dollar financial statements, but general price-level financial statements should not be presented as the basic statements. The Board believes that general price-level information is not required at this time for fair presentation of financial position and results of operations in conformity with generally accepted accounting principles in the United States.

None of the survey companies presented financial data adjusted to a common dollar basis. Discussions of or references to inflation were included in 134 annual reports.

Section 2 BALANCE SHEET

TITLE OF THE BALANCE SHEET

Of the 600 companies included in the survey, 512 used the term "Balance Sheet" to describe the statement of assets, liabilities, and stockholders' equity. Use of the term "Statement of Financial Position" continued to decline. Use of the term "Statement of Financial Condition" remained relatively stable.

FORM OF THE BALANCE SHEET

Balance sheet presentations are of two general forms, "customary" and "financial position." Usually the customary form shows total assets on the left-hand side of the statement equal to the sum of liabilities and stockholders' equity on the right-hand side. A variation of the customary form sets forth the three categories in a downward sequence of assets, liabilities and stockholders' equity. The financial position form shows certain or all liabilities subtracted from assets to give a net balance equal to stockholders' equity plus, in some instances, certain noncurrent liabilities. The 1969 annual reports of 567 companies presented the customary form of the balance sheets. All balance sheets titled "Balance Sheet" were in customary form.

CASH

The majority of the reporting companies present cash as a single item and use the caption "Cash." The num-

TABLE 2-1: TITLE OF BALANCE SHEET

Title used	1969	1968	1966	1965	1955
Balance Sheet	512	507	489	470	466
Statement of Financial Position	61	64	81	94	92
Statement of Financial Condition	27	28	27	31	35
Other Captions	—	1	3	5	7
Total	600	600	600	600	600

TABLE 2-2: FORM OF BALANCE SHEET

Form used*	1969	1968	1966	1965	1955
A: Assets equal liabilities plus stockholders' equity	567	562	545	530	517
B: Working capital plus other assets less other liabilities, equals stockholders' equity	27	30	47	62	70
C: Other	6	8	8	8	13
Total	600	600	600	600	600

*Refer to Company Appendix Section—A: 17, 77, 218, 408, 685, 708; B: 16, 58, 296, 439, 570; C: 10, 224, 335, 518.

TABLE 2-3: CASH—TITLE

Balance Sheet Description*	1969	1968
A: Cash	497	494
B: Cash, including certificates of deposit (or time deposits)	36	54
C: Cash and marketable securities (or U.S. Government securities, notes, etc.)	52	43
Cash in banks and on hand, cash on hand and demand deposits, etc.	15	9
Total	600	600

*Refer to Company Appendix Section—A: 105, 241, 280, 316, 332, 429; B: 53, 56, 84, 100, 625; C: 44, 187, 300, 586, 658.

ber of companies which combine marketable securities with cash as a single account title has been steadily increasing. Thirty-five companies presented, in addition to a caption containing the word *cash,* a separate caption for cash items such as certificates of deposit and time deposits. Following are examples of captions for cash and cash items:

Cash, Including Certificates of Deposit or Time Deposits

FALSTAFF BREWING CORPORATION

Current Assets:

Cash (including certificates of deposit—$471,722 at December 31, 1969)	$4,009,095

GENERAL CIGAR CO., INC.

Current Assets:

Cash, including time deposits of $11,529,000	$18,261,000

INTERLAKE STEEL CORPORATION

Current Assets:

Cash and certificates of deposit	$8,034,381

Cash and Marketable Securities

AIR PRODUCTS AND CHEMICALS, INC.

Current Assets:

Cash and marketable securities at cost which approximates market	$9,213,000

H. J. HEINZ COMPANY

Current Assets:

Cash and short-term investments	$23,029,011

Time Deposits and/or Certificates of Deposit Separately

AMERICAN METAL CLIMAX, INC.

Current Assets:

Cash	$18,670,000
Time deposits and certificates of deposit	14,060,000

CURTISS-WRIGHT CORPORATION

Current Assets:

Cash	$5,860,144
Time deposits	4,461,849

THE L. S. STARRETT COMPANY

Current Assets:

Cash	$ 897,753
Certificates of Deposit—Banks	3,800,000

MARKETABLE SECURITIES IN CURRENT ASSETS

BASIS OF VALUATION

Accounting Research Bulletin No. 43, Chapter 3—Working Capital states in Section A, paragraph 9:

> 9. The amounts at which various current assets are carried do not always represent their present realizable cash values. . . . However, practice varies with respect to the carrying basis for current assets such as marketable securities and inventories. In the case of marketable securities where market value is less than cost by a substantial amount and it is evident that the decline in market value is not due to a mere temporary condition, the amount to be included as a current asset should not exceed the market value. . . . It is important that the amounts at which current assets are stated be supplemented by information which reveals, for temporary investments, their market value at the balance-sheet date. . . .

The use of the "cost" basis for valuation of marketable securities in current assets predominates. Of the 600 companies surveyed, 227 indicated that the basis of valuation of marketable securities approximated

TABLE 2-4: MARKETABLE SECURITIES—CURRENT ASSETS

Basis of Valuation	1969	1968
Cost	250	258
Cost plus accrued interest	45	42
Lower of cost or market	13	14
Amortized cost	11	8
Market value or approximate market value	6	5
Other	5	3
	330	330
Basis of valuation not set forth	68	59
Total	398	389
Number of Companies Presenting:		
Marketable securities in current assets	393	383
No marketable securities in current assets	207	217
Total	600	600

TABLE 2-5: MARKETABLE SECURITIES—CURRENT ASSETS

Reference to Market	1969	1968
Approximate market	227	229
Market value stated (above and below cost)	30	28
No reference to market	141	132
Total	398	389

market, 30 companies stated the market value, and 141 did not refer to market values. Examples showing the valuation of marketable securities follow.

At Cost Which Approximates Market

ALLEGHENY LUDLUM STEEL CORPORATION
Current Assets:
Marketable securities—at cost (approximately market) and accrued interest ... $409,416

ALPHA PORTLAND CEMENT COMPANY
Current Assets:
Marketable securities—at cost, which approximates quoted market, plus accrued interest (Note B) ... $10,912,299

Note B: *Marketable Securities*—At December 31, 1969, marketable securities carried at approximately $2,950,000 in the accompanying consolidated balance sheet were on deposit, principally with New York State, in lieu of contract retentions.

THE ARUNDEL CORPORATION
Current Assets:
Marketable securities (at amortized cost, approximately equal to market) ... $3,658,844

CORNING GLASS WORKS
Current Assets:
U.S. government and other short term obligations at cost which approximates market value ... $43,749,191

CONTINENTAL OIL COMPANY
Current Assets:
Marketable securities at cost, which approximates market ... $108,104,000

COPPERWELD STEEL COMPANY
Current Assets:
Marketable securities—at cost which approximates market ... $2,592,795

THE DUPLAN CORPORATION
Current Assets:
Marketable securities, at cost, including accrued interest (approximates market) ... $739,864

E. I. DU PONT DE NEMOURS & COMPANY
Current Assets:
Marketable Securities (Note 1) ... $245,800,000

Note 1: *Marketable Securities* are carried at amortized cost plus accrued interest, which approximates market value.

GENERAL AMERICAN TRANSPORTATION COMPANY
Current Assets:
Short-term marketable securities—at amortized cost (approximately market) ... $5,035,433

LEHIGH PORTLAND CEMENT COMPANY
Current Assets:
Marketable securities, at amortized cost which approximates market ... $5,093,000

R. H. MACY & CO., INC.
Current Assets:
Marketable securities, at amortized cost (approximate market) ... $19,599,097

MINNESOTA MINING AND MANUFACTURING COMPANY
Current Assets:
Marketable securities and accrued interest, at cost which approximates market ... $74,021,000

NATIONAL PRESTO INDUSTRIES, INC.
Current Assets:
Marketable securities, at cost, plus accrued interest (approximates market) ... $6,343,831

SQUIBB BEECH-NUT, INC.
Current Assets:
Marketable securities, at cost (approximates market) ... $1,718,000

At Cost—Market Value Stated

THE COCA-COLA COMPANY
Current Assets:
U.S. Government and other marketable securities—at cost (market price—1969, $68,442,685) ... $69,046,659

EASTMAN KODAK COMPANY
Current Assets:
Marketable securities at cost (market value $452,700,000) ... $455,026,000

MEREDITH CORPORATION
Current Assets:
Marketable securities (at cost) (Market value 1969, $8,192,399) ... $8,656,012

NATIONAL STARCH AND CHEMICAL CORPORATION
Current Assets:
Marketable securities, at cost (market value $567,965) ... $526,353

NORTON SIMON, INC.
Current Assets:
Marketable securities—at cost (quoted market: 1969—$37,688,000) ... $37,114,000

POLAROID CORPORATION
Current Assets:
Marketable securities at cost (Note A) . . $200,682,368

Note A: Marketable Securities—Consist of short-term obligations, $113,414,198 maturing in 1970 and the balance during the years 1971-1974. As of December 31, 1969, the fair market value was approximately 98.5% of the cost. It is the practice of the Company to amortize the discount or premium from par, over the term of the obligation. The December 31, 1968, value has been restated to reflect the cost, rather than the face amount originally shown.

R. J. REYNOLDS TOBACCO COMPANY
Current Assets:

	1969	1968
Marketable securities—at cost (approximate market value —$6,314,256 and $11,292,804 respectively)	$6,800,000	$6,800,000

GYRODYNE COMPANY OF AMERICA, INC.
Current Assets:
Marketable securities (at cost) (Note 5) . . $1,229,141

Note 5: Marketable securities costing $1,229,141 had a market value of $1,029,711 at the balance sheet date. These securities were pledged in part to secure brokers' accounts aggregating $336,611.

Lower of Cost or Market

AMK CORPORATION
Current Assets:
Marketable securities, at lower of cost or market . . . $56,148,000

GENERAL HOST CORPORATION
Current Assets:
Short-term and other marketable securities, at the lower of cost or approximate market value . . . $2,873,000

INTERNATIONAL BUSINESS MACHINES CORPORATION
Current Assets:
Marketable securities, at lower of cost or market . . . $1,206,404,966

Market or Approximate Market

ANDERSON, CLAYTON & CO.
Current Assets:
Cash and marketable securities at market . $11,242,000

CHICAGO PNEUMATIC TOOL COMPANY
Current Assets:
Marketable securities, at approximate market value . . . $2,035,528

CITIES SERVICE COMPANY
Current Assets:
Short-term cash inve^tments (approximate market value) . . . $112,700,000

THE MAYTAG COMPANY
Current Assets:
Federal and municipal government securities (approximately market) . . . $32,924,017

RECEIVABLES

Balance sheet captions used in the current asset section to describe trade receivables are summarized in table 2-6. Some companies also presented, in addition to trade receivables, sundry receivables. The descriptions used to describe sundry receivables are shown in table 2-7.

The following examples selected from 1969 reports are illustrative of the various types of accounts receivable presentations.

Tax Refunds

ALPHA PORTLAND CEMENT COMPANY
Current Assets:

Accounts receivable—Customers (less allowances—1969, $237,000; 1968, $250,099)	$8,062,561
Costs and estimated earnings in excess of billings on uncompleted contracts	1,544,783
Income tax refunds receivable	475,168

AMERICAN BAKERIES COMPANY
Current Assets:
Claims for refund and future tax benefit (Note 6) . . . $1,987,616

Note 6: Federal Income Taxes—As a result of the operating loss for 1969, taxes paid in prior years, of approximately $1,238,000 are refundable. In addition certain tax effects of the loss will become deductible for tax purposes after 1969 and these are classified as deferred tax benefits in the accompanying balance sheet. Because of the loss, there was no benefit in 1969 from the 7% investment tax credits and as of December 27, 1969, the company had a carry forward of investment tax credits of approximately $1,245,000 which will be applied to reduce future taxes payable.

CROWN CENTRAL PETROLEUM CORPORATION
Current Assets:
Federal income tax refund arising from payments in excess of liability . . . $622,928

TABLE 2-6: RECEIVABLES—CURRENT

Principal Balance Sheet Caption*	1969	1968
A: Accounts receivable	192	196
B: Receivables	182	169
C: Accounts and notes receivable	157	156
D: Trade accounts receivable	46	55
E: Other	23	24
Total	600	600

*Refer to Company Appendix Section—A: 35, 272, 312, 555, 618; B: 32, 84, 103, 305, 681; C: 33, 69, 263, 520, 655; D: 188, 213, 597; E: 45, 99, 352, 384, 700.

TABLE 2-7: OTHER RECEIVABLES

Other Receivables—Descriptions*	1969	1968
A: Tax claims receivable	44	37
B: Due from government or government agency	25	32
C: Due from subsidiaries or affiliates	23	27
D: Installments (notes and/or accounts)	22	22
E: Notes receivable, other than installments	16	13
F: "Other," "miscellaneous," "sundry," etc.	104	103
G: Other terms	37	26
Total	271	260

*Refer to Company Appendix Section—A: 98, 190, 319, 572, 611, 643; B: 97, 231, 284, 456, 550, 713; C: 36, 64, 140, 176, 487; D: 83, 111, 236, 505, 708; E: 459, 574, 605; F: 46, 113, 609; G: 16, 218, 275.

THE AMERICAN DISTILLING COMPANY

Current Assets:

Claims for refund of federal taxes on earnings—Note 6	$ 154,085
Accounts receivable—trade (less allowance for doubtful accounts $420,000 for 1969 and 1968)	19,600,116

Note 6: *Extraordinary Items*—During 1969 the Company sold its real property in Sausalito, California, realizing a gain of $484,399, after deduction of $137,883 applicable federal income taxes. During 1968 the Internal Revenue Service issued a ruling under which certain property used in distilling businesses was declared to be includible in the basis of the investment tax credit. In consideration of such determination the Company filed claims for refund of federal income taxes for 1967 and prior years aggregating $154,085, which amount was reported in 1968 income as an extraordinary item and is now restated as an addition to retained earnings at the beginning of 1968.

LYKES-YOUNGSTOWN CORPORATION

Current Assets:

Accounts and notes receivable, less allowances for doubtful accounts ($2,262,000 in 1969)	$128,896,000
Refundable federal income taxes	13,804,000

Notes to Consolidated Financial Statements

Note 2 (in part): *Federal Income Taxes*—Refundable federal income taxes result from carry-back of the 1969 consolidated net operating loss to prior years. Such taxable loss results from taking into consideration certain recurring items, such as excess of tax depreciation over book depreciation, excess of percentage depletion over cost depletion, tax-free interest income, dividends received deduction, and deposits in statutory reserve funds.

Due from Government or Government Agency

CUTLER-HAMMER, INC.

Current Assets:

Accounts and notes receivable—

Trade, less allowances for doubtful items of $835,959 in 1969 and $812,306 in 1968	$34,508,132
United States Government	9,174,656

MOTOROLA, INC.

Current Assets:

Accounts receivable

United States government	$ 12,622,759
Other	154,776,917
Allowance for doubtful accounts	(4,400,000)

SPARTON CORPORATION

Current Assets:

Accounts receivable, including unbilled costs under cost reimbursement type contracts ($144,143 in 1969, $176,496 in 1968):

Trade, less allowance for doubtful accounts ($24,776 in 1969, $71,000 in 1968)	$3,347,605
U.S. and Canadian governments	1,001,704

SPERRY RAND CORPORATION

Current Assets:

Accounts and notes receivable:

United States Government contracts, direct and indirect	$ 78,044,318
Commercial, less reserve for doubtful accounts: 1969, $6,870,846; 1968, $7,228,184	223,738,289

Due from Subsidiaries or Affiliates

THE ANSUL COMPANY

Current Assets:

Receivables (including $281,942 from unconsolidated subsidiaries in 1969)	$9,408,076

ANDERSON, CLAYTON & CO.

Current Assets:

Receivables from nonconsolidated subsidiaries (Note 3)	50,058,000

Note 3: (in part): Investments in nonconsolidated subsidiaries are valued as indicated below. The equity applicable to these investments and current receivables from these subsidiaries are:

	Receivables	Investment	Parent Co. Equity
Latin American—at cost or less:			
South American	$23,034,000	$11,539,000	$29,564,000
Mexican	26,365,000	3,901,000	23,657,000
Total	49,399,000	15,440,000	53,221,000
Domestic—at equity:			
Finance	339,000	20,303,000	20,303,000
Insurance	320,000	12,264,000	12,264,000
	$50,058,000	$48,007,000	$85,788,000

FANSTEEL, INC.

Current Assets:

Accounts receivable:

Trade, less allowance for doubtful accounts of $207,600 and $119,915, respectively	$12,973,243
Affiliated companies	352,603
Refund of federal income taxes	110,291

JOY MANUFACTURING COMPANY

Current Assets:

Receivables:

Customers, less allowance for doubtful accounts of $1,011,000 and $1,462,000	$54,532,000
Unconsolidated subsidiaries	2,063,000

REYNOLDS METALS COMPANY

Current Assets:

Receivables:	
Customers, less allowances for losses (1969—$2,500,000; 1968—$2,250,000)	$156,382,258
Unconsolidated subsidiaries and other associated and related companies	16,012,134
Other notes, accounts and claims	25,563,123
	$197,957,515

SHELL OIL COMPANY

Current Assets:

Owing by affiliated companies	$9,800,000

Installment Notes and/or Accounts

BRUNSWICK CORPORATION

Current Assets:

Notes and accounts receivable—	
Installment notes, at principal balances (including $90,284,000 in 1969 and $101,553,000 in 1968 due after one year) after deducting unearned interest of $21,250,000 in 1969 and $26,814,000 in 1968 (Notes 5 and 8)	$110,788,000
Accounts (Note 15)	79,535,000
Less—Reserves for possible losses on receivables (Note 3)	(15,958,000)

Note 3: Reserves for Possible Losses On Receivables—The provisions for possible losses on receivables charged against earnings were $890,000 in 1969, and $1,512,000 in 1968, and repossessions and other charges against the reserves, less recoveries, were $7,586,000 in 1969 and $7,718,000 in 1968.

Note 5: Notes Payable—Other—These notes relate to foreign subsidiaries and include notes payable of a Canadian subsidiary amounting to $1,764,000 at December 31, 1969, and $4,257,000 at December 31, 1968, which are guaranteed by Brunswick Corporation and are secured by a pledge of all Canadian installment notes receivable. At December 31, 1969 and 1968, the principal balances of such notes receivable were $10,725,000 and $12,107,000, respectively, and the collections thereon, after certain expenses, as defined, are restricted to the payment of interest and principal on the notes payable. As of December 31, 1969, $1,514,000 of marketable securities are so restricted. The agreement provides for principal payments of $1,000,000 in 1970, and $764,000 in 1971.

Note 8: Debentures—The Company has outstanding $25,623,000 of 4½% convertible subordinated debentures, with annual sinking fund requirements of $1,500,000 beginning in 1971. A subsidiary has outstanding $2,250,000 of 5¾% collateral trust debentures, with annual sinking fund requirements of $250,000; substantially all the assets of this subsidiary have been pledged to secure these debentures.

Note 15: Sale of School Equipment Division—As of December 31, 1969, the Company sold its School Equipment Division (annual sales of $23,000,000) for $9,835,000, slightly in excess of net book value. This amount is included in accounts receivable at December 31, 1969, and was collected in February, 1970.

HARRIS-INTERTYPE CORPORATION

Current Assets:

Trade accounts and notes receivable:	
Accounts receivable	$ 77,251,135
Installment notes including $17,000,000 in 1969 ($18,200,000 in 1968) due after one year	34,262,766
	$111,513,901
Less deferred interest income ($3,750,000 in 1969 and $3,800,000 in 1968) and allowances for collection losses	4,867,460
Total Trade Accounts and Notes Receivable	$106,646,441

SEARS, ROEBUCK AND CO.

Current Assets:

Receivables	$3,552,887,620

Financial Position Detail

Receivables:

Customer installment accounts receivable	
Easy payment accounts	$2,221,017,167
Revolving charge accounts	1,372,874,725
	3,593,891,892
Other customer accounts	101,904,882
Miscellaneous accounts and notes receivable	96,446,334
	3,792,243,108
Less allowance for collection expense and losses on customer accounts	236,826,866
	3,555,416,242
Deduct installment accounts sold—less portion of proceeds withheld pending collection	2,528,622
	$3,552,887,620

NORTH AMERICAN ROCKWELL CORPORATION

Current Assets:

Notes and accounts receivable, less allowance for doubtful accounts: 1969, $2,379,000; 1968, $2,358,000	$255,285,000

Notes to Financial Statements

Note 2: Notes and Accounts Receivable—Notes and accounts receivable include instalment notes receivable of $54,953,000 at September 30, 1969 relating to sales of graphic arts equipment, of which approximately $35,143,000 matures more than one year after that date and is included in current assets in accordance with recognized trade practice.

OXFORD INDUSTRIES, INC.

Current Assets:

Receivables:	
Trade accounts, less reserves of $569,541 (1969) and $603,653 (1968)	$14,676,203
Installment accounts, including amounts due after one year of $2,822,191 (1969) and $1,682,590 (1968)	4,562,186
Unearned finance charges applicable to installment accounts	(1,229,301)
Contractors, employees and others	838,110
	$18,847,198

JIM WALTER CORPORATION

Current Assets:

Instalment notes receivable (Notes 2 and 6)	$331,286,315	
Less—Provision for possible losses	(3,495,639)	
Unearned time charges	(137,866,865)	$189,923,811
Trade receivables, less $3,544,329 and $3,484,681 provision for possible losses		121,216,957
Other notes and accounts receivable		2,649,311

Note 2: Instalment Notes Receivable—Of the gross instalment notes receivable of $331,286,315, an amount of $294,300,855 is due after one year. Instalment payments estimated to be receivable within each of the five years from August 31, 1969 are $36,985,460, $36,610,138, $36,375,535, $36,051,581, and $35,754,222, respectively, and $149,509,379 after five years.

Note 6 (in part): Federal Income Tax—Future federal income tax is based on the reductions in current federal income tax as a result of the provision for depreciation by certain subsidiaries in the books on the straight line method and in tax returns on accelerated methods and amortization of the investment tax credit over a seven year period. Current federal income tax liability includes $9,209,181 based on unamortized discount on purchase under contract of instalment notes receivable from the Company by a subsidiary, restored in consolidation.

THE WURLITZER COMPANY
Current Assets:

Trade receivables:	
Notes and accounts	$16,760,491
Installment accounts (estimated installments due after one year—1969 and 1968, $7,000,000)	15,904,950
Total receivables	$32,665,441
Less:	
Allowance for doubtful accounts	967,000
Unearned discount and carrying charges	1,861,455
Total	$ 2,828,455
Trade receivables—net	$29,836,986

Other Receivables—Identified

AMPEX CORPORATION

	(*$ thousands*)
Current Assets:	
Notes and contracts receivable	$10,203
Accounts receivable, less allowance for losses (1969—$2,313; 1968—$1,530)	88,766
Other receivables and claims	1,770

BARTON DISTILLING COMPANY
Current Assets:

Receivables:	
Trade (less allowance for doubtful accounts—1969, $162,941; 1968, $781,705)	$16,328,143
Accrued warehouse charges	205,023
Other	422,473

THE NATIONAL CASH REGISTER COMPANY
Current Assets:

Receivables:	
Current accounts	$268,286,000
Installment accounts	97,583,000
Balance due from issue of securities	16,060,000
	$381,929,000
Less—provision for doubtful accounts	8,265,000
	$373,664,000

SUPERMARKETS GENERAL CORPORATION
Current Assets:

Due from suppliers	$2,320,399

WEYERHAEUSER COMPANY

	(*Amounts in Thousands*)
Current Assets:	
Receivables, less allowances of $2,140,000 and $1,858,000 at respective dates	$155,120
Trust deed notes receivable held for sale	38,904

TRADE RECEIVABLES USED FOR FINANCING

The reports of 75 companies disclosed 87 references to the use of receivables for financing. A summary of financing methods used is presented in Table 2-8. Examples of disclosure of various types of financing arrangements follow.

TABLE 2-8: TRADE RECEIVABLES USED FOR FINANCING

Number of Presentations	1969	1968
Sold—with contingent liability	29	14
Sold—without recourse	4	5
Sold—with equity retained	2	5
Discounted	20	17
Pledged	11	17
Used as collateral for debt (not otherwise described)	17	14
Other	4	4
Total	87	76
Number of Companies		
Using receivables for financing	75	68
Not referring to use of receivables for financing	525	532
Total	600	600

Accounts Sold With Contingent Liability

JEWEL COMPANIES, INC.
Current Assets:

Accounts receivable, less allowances ($489,000 and $719,000 respectively)	$9,380,148

Notes to Consolidated Financial Statements

Accounts Receivable—As of January 31, 1970, the Company sold $13,909,305 of the Direct Marketing Division customer installment accounts receivable with recourse. The sale was made in order to defer the payment of income taxes on the gross profit in installment accounts receivable beginning in 1970.

STRUTHERS WELLS CORPORATION
Current Assets:

Receivables—Net of allowance for doubtful accounts — 1969-$279,379; 1968-$347,243	$6,347,344

Notes to Financial Statements

Note 13 (F): At November 30, 1969 the Company was contingently liable in the amount of $141,000 until 1973 under an equipment lease agreement assigned to a finance company, and in the amount of $543,000 for a note sold with recourse.

WHITE CONSOLIDATED INDUSTRIES, INC.
Current Assets:

Trade receivables, less allowances of $4,264,000 in 1969 and $4,018,000 in 1968	$123,925,920

Notes to Financial Statements

Note I: *Contingent Liabilities*—The Corporation is contingently liable for certain notes receivable (principally secured by title retention contracts or chattel mortgages on equipment) sold with recourse, for dealer finance repurchase agreements, and foreign subsidiaries debt, all aggregating approximately $38,000,000. In the opinion of management, adequate reserves have been provided.

WINNEBAGO INDUSTRIES, INC.

Current Assets:

Trade receivables, less allowance for doubtful accounts 1969 $21,200; 1968 $10,829	$2,395,542
Interest receivable	49,786

Notes to Consolidated Financial Statements

Note 8 (in part): *Contingent Liabilities*—It is customary practice for companies in the recreational vehicle industry to enter into repurchase agreements with lending institutions which have provided wholesale floor plan financing to dealers. Such agreements provide for the repurchase of the parent Company's products from the financing institution for the balance due them in the event of repossession upon a dealer's default. Although the parent Company was contingently liable for approximately $860,000 under these agreements as of February 22, 1969, losses have been insignificant in past years and the parent Company's exposure to loss under such agreements is limited by the resale value of the recreational vehicles which are required to be repurchased.

The parent Company is contingently liable as endorser, with recourse, for trade acceptances in the amount of $34,631 at February 22, 1969.

Accounts Sold Without Recourse

THE DUPLAN CORPORATION

Current Assets:

Accounts and notes receivable:	
Due from factors (Note 2)	$ 6,223,929
Other, less allowance for doubtful accounts and cash discounts: 1969, $496,262; 1968, $323,837	15,386,408

Note 2: Accounts Receivable Factored—The Corporation uses factors for credit administration purposes. Under the factoring agreements, the factors purchase certain of the Corporation's trade accounts receivable and assume all credit risks with respect to substantially all such accounts.

R. H. MACY & CO., INC.

Current Assets:

Customers' accounts receivable, per statement on page 22	$68,499,784
Other receivables	8,417,606

Page 22: *Consolidated Customers' Accounts Receivable*

Total customers' receivables—principally deferred payment accounts	$218,394,709
Deduct accounts sold without recourse (net of Corporation's equity) and unremitted collections thereon to be applied against accounts contracted to be sold	144,409,925
	73,984,784
Less estimated uncollectible amounts	5,485,000
Customer's accounts—net	$ 68,499,784

Receivables Pledged

CONSOLIDATED PACKAGING CORPORATION

Current Assets:

Accounts receivable, less allowance for doubtful items—$103,000 in 1969 and $177,000 in 1968 (Note 5)	$4,150,026

Note 5 (in part): *Notes and Contracts Payable*—The note payable to bank amounting to $600,000 at December 31, 1969 is guaranteed by an officer of the Company. Accounts receivables of $1,400,000 are pledged as collateral on this loan.

Equity Retained in Accounts Sold

ALLIED STORES CORPORATION

Current Assets:

Accounts and notes receivable:	
Customers—Note B	$228,471,063
Suppliers and others	12,804,339

Note B: Accounts and Notes Receivable—Customers—

	January 31	
	1970	1969
Regular accounts	$ 59,988,609	$ 63,225,112
Instalment accounts and notes	40,620,972	42,051,709
Revolving credit accounts	132,892,485	126,417,918
	233,502,066	231,694,739
Less allowances for possible losses on collection	5,031,003	4,929,052
	$228,471,063	$226,765,687

Allied Stores Corporation and merchandising subsidiaries sold accounts receivable to Allied Stores Credit Corporation in the amounts of $143,231,145 as of January 31, 1970 and $104,137,866 as of January 31, 1969, net of retained equity of $14,323,115 and $10,413,787, respectively.

J. J. NEWBERRY CO.

Current Assets:

Accounts receivable:	
Customers, including equity of $1,071,188 and $1,007,149, respectively, in accounts sold	$6,261,448
Other	3,234,399
	9,495,847
Less, Allowance for doubtful accounts	769,000
	$8,726,847

Receivables Discounted

PULLMAN INCORPORATED

Current Assets:

Accounts and notes receivable (including for 1969 instalments of $50,504,000 due after one year), less allowance for doubtful items (1969—$2,080,000)	$157,820,000

Notes to Consolidated Financial Statements

Note 10 (in part): *Contingent Liabilities and Commitments*—The Corporation and its subsidiaries are contingently liable for notes discounted in the amount of $6,810,000 with banks and other financing institutions, but have guarantees or other indemnification with respect to $5,045,000 of the total.

UMC INDUSTRIES, INC.

Current Assets:

Receivables:	
Notes and customers' accounts, less allowances of $685,500 in 1969 and $642,000 in 1968	$20,651,485
Government contracts	5,738,410
	$26,389,895

Notes to Consolidated Financial Statements

Note 7: *Finance receivables discounted*—At December 31, 1969, the Company was contingently liable to the extent of $3,053,000 on customers' finance receivables discounted. These receivables are secured by chattel mortgages, conditional sales contracts or leases.

U.S. INDUSTRIES, INC.

Current Assets:

Trade receivables, less allowances (1969—$6,550,000 1968 — $3,260,000) — Notes B and G	$165,356,000

Note B (in part): *Long-term Debt*—At December 31, 1969, approximately $5.1 million of inventories, $4.8 million of receivables, and certain land, buildings, and equipment were pledged for indebtedness.

Note G (in part): *Commitments and Contingencies*—The Company is guarantor of $8.1 million of indebtedness of unconsolidated finance subsidiaries, and consolidated subsidiaries are contingently liable for up to $6.2 million in respect of notes receivable discounted and conditional sales contracts.

Receivables Used as Collateral

AMERICAN ELECTRONIC LABORATORIES, INC.

Current Assets:

Accounts receivable, principally United States Government—Note B	$10,510,404
Note receivable, Mooney Aircraft Corporation, due in installments through May, 1970	2,000,000

Note B: The Company records as sales, on a percentage-of-completion basis, the costs incurred and related profits or losses on its contracts including fixed-price Government contracts with progress payment provisions. Included in accounts receivable are unbilled costs and related profits of $6,463,286 (1969) and $4,899,840 (1968) in excess of progress billings of $10,136,540 (1969) and $9,273,984 (1968). In addition, costs of $148,727 (1969) and $289,792 (1968) on cost-plus-fixed-fee Government contracts are included.

Accounts receivable, unbilled costs and inventories totaling approximately $12,100,000 at November 30, 1969 have been assigned to the bank as collateral for notes payable of $5,500,000.

BATES MANUFACTURING COMPANY, INCORPORATED

Current Assets:

Notes and accounts receivable—less allowances January 3, 1970 $784,180; December 28, 1968 $569,930 (Note 4)	$10,645,008

Note 4 (in part): *Long-term Notes Payable*—As of February 1, 1969 the Company and a group of banks entered into an agreement providing the Company with a $14,000,000 revolving credit for a period of two years. . . . Borrowings under the agreement, as amended October 31, 1969, are secured by certain receivables and inventory and by the investments in Virginia Iron, Coal and Coke Company and Kahn & Feldman, Inc.

WARD FOODS, INC.

Current Assets:

Notes and accounts receivable, less allowance for doubtful accounts, $1,815,151 and $1,526,760	$44,193,014

Notes to Financial Statements

Notes, Drafts and Acceptances Payable at December 27, 1969 are collateralized in the normal course of business by inventories and receivables in the amount of $8,300,000.

BEMIS COMPANY, INC

Current Assets:

Accounts receivable, less $1,594,881 and $1,062,223 for doubtful accounts and allowances	$46,179,198

Notes to 1969 Financial Statements

Note 4: *Non-Current Notes Payable*—A total of $4,997,000 at interest rates from 6.5% to 12.375% has been borrowed in Europe and is repayable in 1971. Other loans payable of $9,994,857 at interest rates ranging from 5% to 11.9375% represent borrowings by U. S. subsidiaries of $389,100 and foreign subsidiaries of $9,605,757.

Loans payable by foreign subsidiaries in the aggregate amount of $7,737,360 are secured by accounts receivable, long-term receivables and land and buildings.

TERMINOLOGY FOR "UNCOLLECTIBLE ACCOUNTS"

Table 2-9 presents in comparative form the terminology used by the 600 companies in presenting uncollectible accounts. The first section of the table summarizes the primary descriptive terms, such as *allowance, reserve, provision,* etc., used in the balance sheet to describe *uncollectible accounts.* The second section sets forth the various secondary terms used in such balance sheet descriptions. The third section shows the various combinations of primary and secondary terms used in 1969 and the frequency of their use.

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." Table 2-9 shows that use of the term *reserve* to describe uncollectible accounts has steadily declined.

Opinion No. 6, issued in October 1965 by the Accounting Principles Board of the American Institute of Certified Public Accountants, amended *Accounting Research Bulletin No. 43,* Chapter 3A, by adding the following paragraph thereto:

> 10. Unearned discounts (other than cash or quantity discounts and the like), finance charges and interest included in the face amount of receivables should be shown as a deduction from the related receivables.

Of the 600 companies reporting, 57 showed a deduction for unearned discount, finance charges, etc.

Opinion No. 12, issued in December 1967 by the Accounting Principles Board, states with regard to "Classification and Disclosure of Allowances" that:

> 2. Although it is generally accepted that accumulated allowances for depreciation and depletion and asset valuation allowances or losses such as those on receivables and investments should be deducted from the assets to which they relate, there are instances in which these allowances are shown among liabilities or elsewhere on the credit side of the balance sheet.
>
> 3. It is the Board's opinion that such allowances should be deducted from the assets or groups of assets

TABLE 2-9: UNCOLLECTIBLE ACCOUNTS—TERMINOLOGY

Primary Descriptive Terms	1969	1968	1967	1965	1955
Allowance	372	360	342	324	248
Reserve	81	88	92	102	181
Provision	20	21	21	29	31
Estimated	16	17	18	17	27
Other	4	5	7	6	11
Subtotal	493	491	480	478	498
Accounts receivable (net)	8	6	N/C	N/C	N/C
No uncollectible accounts indicated	99	103	120	122	102
Total	600	600	600	600	600
Combined with					
Doubtful	260	254	241	245	245
Losses	50	55	62	64	71
Other phrases	18	15	22	17	23
Used alone	165	167	155	152	159
Subtotal	493	491	480	478	498
Unearned interest, discount, etc.	57*	49*	N/C	N/C	N/C
Returns and/or allowances	17*	14*	N/C	N/C	N/C
Total	567	554			

N/C—Not compiled.
*Shown in addition to uncollectible accounts.

1969 Descriptive Terms Combined:	Total	Allowance	Reserve	Provision	Estimate	Other
Doubtful	260	225	15	11	7	2
Losses	50	39	1	7	2	1
Other phrases	18	6	2	2	7	1
Used alone	165	102	63	—	—	—
Subtotal	493	372	81	20	16	4
Unearned discount, finance charges, etc	57	37	5	1	3	11
Returns and/or allowances	17	6	3	5	1	2
Total	567	415	89	26	20	17

to which the allowances relate, with appropriate disclosure.

Although all of the 600 companies surveyed reported trade receivables, 99 companies made no reference to uncollectible accounts and 8 companies indicated only that the amount shown for receivables was net.

INVENTORY

Chapter 4 of *Accounting Research Bulletin 43,* issued by the committee on accounting procedure of the American Institute of Certified Public Accountants, states:

> 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.

PRESENTATION

Inventories were presented in varying detail in the balance sheet, in notes to the financial statements, or elsewhere in the annual reports of 598 of the surveyed companies; two companies disclosed no inventory. Of the 598 companies presenting inventories, 221 did not show any inventory detail. Table 2-10 presents the inventory descriptions most often used.

VALUATION BASIS

Chapter 4 of *Accounting Research Bulletin 43* stipulates that "the primary basis of accounting for inven-

TABLE 2-10: INVENTORY PRESENTATION—TERMINOLOGY

Finished Goods or Products	1969
Used alone	203
Combined	102
Name of product (used alone)	62
Name of product (combined)	12
Total	379
Merchandise (alone or combined)	22
Work in Process	
Used alone	152
Combined	110
Other terms	66
Total	328
Raw materials	
Used alone	89
Combined with supplies and/or parts	173
Combined—other	41
Other terms	64
Total	367
Supplies	
Used alone	49
Combined	90
Other terms	34
Total	173
Number of Companies	
Presenting details of inventory	377
Not presenting details of inventory	223
Total	600

tories is cost . . ." and "a departure from the cost basis of pricing inventories is required when the utility of the goods is no longer as great as its cost. . . ." As shown in Table 2-11, *lower of cost or market,* an acceptable method of inventory valuation when departure from cost is required, is the most frequently used method of inventory valuation.

In connection with the disclosure of inventory basis, Chapter 4 of *Accounting Research Bulletin 43* states that:

> 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. . . .

Three companies, showing inventories as an asset, failed to disclose the valuation basis of inventories.

The following examples illustrate the various bases at which inventories are stated in the balance sheet.

Lower of Cost or Market

POTLATCH FORESTS, INC.

Current Assets:

Inventories (Note 2) $55,207,148

Note 2: Inventories—Inventory components are valued at the balance sheet dates in the following manner:

	1969	1968
Logs, pulpwood, and chips	$ 9,056,969	$ 6,903,490
Lumber and other manufactured wood products	16,005,845	9,884,751
Pulp, paper, and converted paper products	21,162,567	19,262,271
Materials and supplies	8,981,767	8,462,711
	$55,207,148	$44,513,223
Valued at lower of cost or market:		
First-in, first-out basis	$16,760,297	$16,517,678
Last-in, first-out basis	10,898,016	7,847,929
Average cost	27,548,835	20,147,616
	$55,207,148	$44,513,223

Generally, with respect to logs, materials, and supplies, "market" means replacement cost, and with respect to all other items, "market" means estimated selling price less cost of marketing.

TABLE 2-11: INVENTORY VALUATION BASIS

Bases	1969	1968	1967	1966	1965	1955
Lower of cost or market	511	511	520	493	491	471
Cost	77	76	82	84	89	176
Cost not in excess of market	42	38	26	53	49	54
Cost, less than market	24	33	29	44	42	20
Cost or less than cost	18	20	19	28	29	35
Market, or less than market	26	26	14	3	13	30
Various other bases	9	4	8	24	15	26
Total	707	708	698	729	728	812
Number of Companies						
Stating one basis only	499	502	523	535	599	594
Stating more than one basis	96	94	74	65		
Not stating basis, or no inventories	5	4	3	—	1	6
Total	600	600	600	600	600	600

AMERICAN METAL CLIMAX, INC.
Current Assets:
Inventories (Note 5) $127,590,000

Note 5: Inventories—

	1969	1968
Metals refined and in-process at the lower of cost (primarily last-in, first-out) or market (at December 31 market quotations: 1969, $101,270,000; 1968, $112,750,000)	$ 49,290,000	$ 70,920,000
Metal fabricated products, etc., at the lower of cost (first-in, first-out) or market	51,740,000	39,520,000
Ores, concentrates and chemicals, at the lower of average cost or market	11,080,000	14,430,000
Operating supplies, at average cost, less reserves	15,480,000	8,940,000
	$127,590,000	$133,810,000

AMERICAN ZINC COMPANY
Current Assets: (*In thousands of dollars*)

Inventories valued at the lower of cost (FIFO, average or identified lots) or market—	
Concentrates and other metal-bearing materials	$ 5,959
Slab zinc, zinc oxide, and other finished products	2,614
Materials and supplies	2,915
	$11,488

FRUEHAUF CORPORATION
Inventories (Note C) $94,586,706

Note C: Inventories—Inventory amounts are based upon physical determinations during the year and have been stated at the lower of cost or market prices. Cost prices are determined by the first-in, first-out method, and market prices represent the lower of replacement cost or estimated net realizable amount.

A summary of inventories follows:

	December 31 1969	1968
New trailers	$16,103,985	$12,440,064
Production parts, work in process, and raw materials	53,237,374	56,502,277
Service parts and orders in process	18,127,895	16,192,079
Used trailers	7,117,452	5,481,282
Total	$94,586,706	$90,615,702

NEW ENGLAND NUCLEAR CORPORATION
Current Assets:
Inventory (Note B) $1,135,120

Note B: Inventories—Raw materials are priced at the lower of cost or market value, cost having been computed generally on a first-in, first-out basis. Finished goods and work in process are priced at the lower of standard cost or market value.

Cost

OSCAR MAYER & CO.
Current Assets:
Inventories (Note B) $25,667,595

Note B: Inventories—Inventories are stated at cost, determined principally by the "last-in, first-out" method, which is less than market value. This method, first adopted in 1940, is intended to relate revenues more nearly to current costs than would the alternative "first-in, first-out" method. As determined by the FIFO method, inventory values at October 25, 1969 would have been $8,100,000 more than as determined by the LIFO method. For 1969, the effect was to reduce net income by approximately $1,700,000 or $.19 per share.

SWIFT & COMPANY
Current Assets:
Inventories—Note 3 .... $197,439,000

Note 3: Inventories—Product inventories of $182,303,000 (1968—$182,378,000) include a substantial portion valued at cost under the last-in, first-out (LIFO) method. Other product inventories are valued at current cost or approximate market, less cost to sell. Ingredients and supplies of $15,136,000 (1968—$16,858,000) are valued at the lower of current cost or market.

UNITED STATES STEEL CORPORATION
Current Assets:
Inventories (*details on page 25*) $868,596,179
Details of Selected Items (page 25)

	(Dollars in millions) Dec. 31, 1969	Dec. 31, 1968
Inventories—		
Ore, limestone, coal and coke	$148.0	$188.8
Non-ferrous metals	19.6	23.0
Semi-finished products	271.9	221.5
Finished products	284.7	244.8
Supplies and sundry items	121.5	115.7
Contracts in progress	22.9	19.7
Total inventories	$868.6	$813.5

For the most part, inventories are carried at cost as determined under the last-in, first-out method, and the remainder is carried at cost or market, whichever is lower. The last-in, first-out method was first adopted in 1941 and extended in 1942 and 1947.

UTAH-IDAHO SUGAR COMPANY
Current Assets:
Inventories—Note A $33,313,017

Note A: Inventories—

	1969	1968
Refined sugar and molasses—principally last-in, first-out cost method	$28,831,738	$22,873,641
Supplies and other inventories—first-in, first-out cost method	4,481,279	4,393,611

Cost Not in Excess of Market

MEREDITH CORPORATION
Current Assets:
Inventories $21,072,876
Notes to Financial Statements

Note 2: Inventories—Inventories are stated at cost (first-in, first-out, or average), not in excess of market, and are summarized as follows:

	1969	1968
Raw materials	$ 5,212,329	$ 4,471,110
Work in process	2,990,572	2,531,801
Finished goods	12,869,975	11,901,832
	$21,072,876	$18,904,743

QUAKER STATE OIL REFINING COMPANY
Current Assets:

Inventories, at cost, principally on last-in, first-out basis, but not in excess of market:	
Crude oil and petroleum products	$10,327,160
Other products and supplies	1,560,162

SQUARE D COMPANY
Current Assets:
Inventories (Note B) $58,310,124

Note B: Inventories—Inventories at locations in the United States are stated at cost, which was not in excess of market, determined under the last-in, first-out method; inventories in Canada aggregating $4,789,388 are stated at the lower of cost (determined under the first-in, first-out method) or market.

SIMPLICITY PATTERN CO. INC.

Current Assets:

Inventories	$9,236,678

Notes to Financial Statements

Note 2: Inventories (at average cost, not in excess of market) are summarized as follows:

	1969	1968
Raw materials	$1,412,592	$1,521,319
Work in process	2,887,724	2,251,153
Finished goods	4,180,962	2,719,127
Materials and supplies	755,400	532,915
	$9,236,678	$7,024,514

Cost, Less Than Market

CYCLOPS CORPORATION

Current Assets:

	(*In thousands of dollars*)
Inventories	$62,289

Notes to Financial Statements

Inventories—	1969	1968
	(in thousands of dollars)	
Raw materials	$13,694	$14,178
Finished and semifinished products	40,608	37,847
Supplies	7,987	7,049
	$62,289	$59,074

Inventories, except supplies, are valued at cost, determined on the last-in, first-out method, which is lower than market. Supplies are valued at average or current cost.

CONTINENTAL STEEL CORPORATION

Current Assets:

Inventories:	
Principally at 'Lifo" cost, below market:	
Raw materials	$3,483,414
Semi-finished and finished products	6,003,779
At average cost, or cost less depreciation:	
Supplies, rolls and similar short-lived equipment	2,796,511

STANDARD OIL COMPANY (INDIANA)

Current Assets:

Inventories—	
Crude oil and products—at cost (mainly LIFO), below market	$330,444,000
Materials and supplies—at or below cost	59,289,000

ENGELHARD MINERALS & CHEMICALS CORPORATION

Current Assets:

Inventories (Note 2)	$202,386,260

Note 2: *Inventories*—Inventories are stated at the lower of cost or market. The inventories at December 31, 1969 include $67,427,-160 of precious metals of the Engelhard Industries Division, of which amount approximately 78% is valued at cost prices under the last-in, first-out method of valuation. At December 31, 1969, the market value of such precious metal inventories exceeded the carrying value of such precious metal inventories by $26,234,000. Taxes on income would become payable on any realization of this excess by reason of reduction of precious metals inventories.

Cost or Less Than Cost

E. I. DU PONT DE NEMOURS & COMPANY

Current Assets:

	(*Dollars in millions*)
Inventories (Note 2)	$672.3

Note 2: *Inventories* are valued at average cost or less, not in excess of market, and consist of the following:

	1969	1968
	(dollars in millions)	
Finished products	$405.2	$329.5
Semifinished products	106.2	86.7
Raw materials and supplies	160.9	151.2
	$672.3	$567.4

Market or Less Than Market

INTERNATIONAL MILLING COMPANY INC.

Current Assets:

Inventories (Note 3):	
Grain	$30,509,199
Flour, flour products, millfeeds, etc	7,890,331
Formula feeds, poultry, pickles, etc.	10,536,539
Packages and miscellaneous	1,941,525
Total inventories	$50,877,594

Note 3: *Inventories*—United States and Canadian inventories of grain (including wheat held for account of The Canadian Wheat Board), flour and millfeeds are valued on the basis of replacement market prices of grain and feed prevailing at February 28, adjustment of open grain and flour contracts also being made to market. All other inventories of any significance are stated at the lower of cost (first-in, first-out) or replacement market.

IOWA BEEF PACKERS, INC.

Inventories (Note D)	$10,911,000

Note D: *Inventories*—Inventories are stated below as follows:

	1969	1968
Lower of cost (first-in, first-out method) or market:		
Cattle on feed and feeding ingredients	$ 5,399,000	$ 4,888,000
Carcasses	2,147,000	2,454,000
Operating supplies	993,000	547,000
Approximate market less allowance for selling expenses:		
By-products	1,843,000	1,715,000
Processed cuts	529,000	1,276,000
	$10,911,000	$10,880,000

METHODS OF "COST" DETERMINATION

In its discussion concerning cost determination for inventory purposes, *Accounting Research Bulletin 43*, Chapter 4, states:

> 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.

Table 2-12 summarizes the methods of cost determination as reported by the survey companies. First-in

TABLE 2-12: METHOD OF DETERMINING INVENTORY COST

Methods	1969	1968	1967	1966	1965	1955
First-in first-out (fifo)	276	255	240	231	213	138
Average cost	202	196	177	188	176	146
Last-in first-out (lifo)	153	168	179	184	191	202
Standard costs	30	27	26	28	28	31
Retail method	24	21	19	18	17	14
Accumulated or production cost	23	19	15	14	11	N/C
Replacement or current cost	16	13	13	13	12	4
Specific or "actual" cost	24	20	23	13	13	9
Other	12	9	12	18	15	33
Total	760	728	704	707	676	577
Number of Companies:						
Stating cost method(s) for entire inventory	473	447	440	271	264	323
Stating cost method(s) for only part of inventory	29	33	10	196	181	103
Omitting cost methods	98	120	150	133	155	174
Total companies	600	600	600	600	600	600

first-in (FIFO) is the most frequently used method. Last-in first-out (LIFO) continues to decline in use and is now used less frequently than the average cost method. Examples illustrating the various methods of determining inventory "cost" follow.

First-in First-out

CROWN CENTRAL PETROLEUM CORPORATION

Current Assets:

Inventories:

Crude oil and refined products—at cost (first-in, first-out method) not in excess of market	$11,136,782
Materials and supplies—at cost	957,607
	$12,094,389

MASONITE CORPORATION

Current Assets:

Inventories, at the lower of first-in, first-out cost or market (Note 7)—

Finished stock	$12,614,000
Raw materials and supplies	12,328,000

Note 7: *Inventories*—During the year standard cost systems were introduced at substantially all manufacturing plants as a means of improving our cost control systems. The standards approximate first-in, first-out costs, and the effect of changing from average costs has no significant effect on the accompanying financial statements.

NORTON SIMON, INC.

Current Assets:

Inventories	$203,163,000

Notes to Financial Statements

Note 2: *Inventories*—Inventories are stated at the lower of cost or market. Inventory costs of publication materials, soft drinks, wines and distilled spirits, glass and metal containers, supplies, etc. aggregating $112,503,000 and $116,884,000 at June 30, 1969 and 1968, respectively, were determined principally by the first-in, first-out method. Remaining inventory costs, relating primarily to inventories of vegetable oils and their by-products and packaged foods, were determined by the last-in, first-out method.

SEARS INDUSTRIES, INC.

Current Assets:

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

New linens	$2,827,738
Finished goods	3,049,820
Work in process	2,703,079
Raw materials	2,940,861
Supplies	888,089

Average Cost

ALLIED CHEMICAL CORPORATION

Current Assets:

Inventories, at lower of average cost or market	$198,049,000

Other Financial Data (page 14)

	(Amounts in thousands) 1969	1968
Inventories		
Raw materials	$ 37,908	$ 38,298
Work in process	17,323	17,909
Finished products	114,932	109,801
Supplies and containers	27,886	25,573
	$198,049	$191,581

ALLIED MILLS, INC.

Current Assets:

Inventories, valued at lower of average cost or market:

Finished and semi-finished products	$20,985,080
Raw materials	11,781,090
Bags and supplies	894,532
	$33,660,702

THE DUPLAN CORPORATION

Current Assets:

Inventories, at lower of cost (principally average cost) or market:

Raw materials and supplies	$10,699,573
Work in process	5,138,625
Finished goods	5,952,158

UNITED FOODS, INC.
Current Assets:

Inventories	$12,897,771

Notes to Consolidated Financial Statements

Note 2 (in part): *Accounts Receivable and Inventories*—Inventories stated at cost (principally average cost) not in excess of replacement market were:

	1969	1968
Frozen foods	$11,510,343	$13,139,116
Canned foods	208,229	795,182
Packaging materials and supplies	845,491	1,115,723
General merchandise	333,708	358,283
	$12,897,771	$15,408,304

Last-in First-out

ARCHER DANIELS MIDLAND COMPANY
Current Assets:

Inventories (Note 3)	$44,589,637

Note 3: *Inventories*—

	1969	1968
At lower of cost (first-in, first-out method) or market:		
Soybeans and other raw materials	$11,859,533	$10,427,273
Sundry products	3,810,138	3,872,095
Materials and supplies	914,064	543,417
Total	16,583,735	14,842,785
At market:		
Wheat and other grains, flour and meal	19,071,397	19,329,900
At lower of cost (last-in, first-out method) or market:		
Soybean oil, linseed oil, sperm oil, crude fish oil and certain grains	8,934,505	12,087,235
Total	$44,589,637	$46,259,920

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 cost in excess of the inventory basis used in the financial statements of $1,985,000 at June 30, 1969, and $2,550,000 at June 30, 1968.

CATERPILLAR TRACTOR CO.

Current Assets:	*(In millions of dollars)*
Stated on basis of cost using principally "last-in, first-out" method:	
Inventories	$599.0

Notes to Financial Statements

Note 4: *Basis of stating inventories*—A major portion of the inventories is stated on the basis of the "last-in, first-out" method of inventory accounting adopted in 1950. This is a generally accepted accounting method designed to allocate incurred costs in such a manner as to relate them to revenues more nearly on the same cost-price level than would the "first-in, first-out" method used prior to 1950. The general effect is to exclude from reported profits a major portion of the increases in inventory costs which result from rising price levels.

JOHNS-MANVILLE CORPORATION
Current Assets:

Inventories at the lower of cost (principally last-in, first-out) or market	$67,632,000

THE KENDALL COMPANY
Current Assets:

Inventories of raw cotton, other materials and supplies, and in-process and finished products (Note B)	$48,708,000

Note B: *Inventories*—The inventories are valued at cost, determined by the last-in, first-out method except for approximately $6,900,000 in 1969 and $5,990,000 in 1968, to which the first-in, first-out, or moving average cost method has been applied. The resulting valuations are less than market.

JOY MANUFACTURING COMPANY
Current Assets:

$72,859,000

Note 2:

	1969	1968
Finished and semifinished machines and parts	$68,471,000	$65,547,000
Raw materials and supplies	7,472,000	7,581,000
	75,943,000	73,128,000
Less progress billings on contracts	3,084,000	1,803,000
	$72,859,000	$71,325,000

Inventories, except supplies, are priced at cost (determined principally on the last-in, first-out method), or market, whichever is lower. Supplies are priced at current cost.

LIBBY, McNEILL & LIBBY
Current Assets:

Inventories (Note C)	
Products	$101,096,000
Supplies	29,104,000

Note C: *Inventories*—Approximately one-half of the product inventories are valued at cost under the "last-in, first-out" (LIFO) method and the remainder is valued at the lower of current cost or market. Supplies are valued at current cost.

MIDWEST RUBBER RECLAIMING COMPANY
Current Assets:

Inventories, at lower of cost or market (Note 2)—	
Finished goods	$1,447,388
Work in process	110,329
Raw materials and manufacturing supplies	1,795,083
Maintenance supplies	323,737

Note 2: *Change in Accounting Principles*—Effective November 1, 1968 the company changed its method of inventory pricing from weighted average cost to LIFO for all inventories, except maintenance supplies and all inventories of its foreign subsidiary, the latter approximating $191,000. This change had the effect of reducing fiscal 1969 net income by approximately $85,000 ($.19 per share), after income tax effect of $95,000.

Standard Cost

AMERICAN ENKA CORPORATION
Current Assets:

Inventories, at the lower of standard cost (approximating average cost) or market:	
Finished goods	$15,370,523
Work in process	15,880,579
Raw materials	12,985,101
General stores	5,150,394
	$49,386,597

BURNDY CORPORATION
Current Assets:

Inventories—at the lower of standard cost (which approximates average cost) or market (Note 2)	$23,764,625

Note 2: *Inventories*—The inventories at the dates shown consisted of:

	1969	1968
Raw materials and purchased parts	$10,579,144	$ 9,023,967
Work in process	3,372,755	2,785,198
Finished Goods	9,812,726	9,735,687
	$23,764,625	$21,544,852

COLLINS RADIO COMPANY

Current Assets:

Inventories (Note 1)	$135,833,000

Note 1: Inventories—Inventories are stated at the lower of cost or market, with cost being determined generally on either a current standard or actual cost method. Inventories have been reduced by progress payments of $15,121,000 in 1969 and $18,757,000 in 1968.

LIBBEY-OWENS-FORD COMPANY

Current Assets:

Inventories—Note B:	
In-process and finished products	$ 72,565,498
Raw materials and manufacturing supplies	34,288,768
	$106,854,266

Note B: Inventories—Inventories are stated at the lower of cost or market. Costs generally represent cumulative average cost for a major portion of raw materials and manufacturing supplies. In-process and finished products and the remainder of raw materials are priced at standard cost, which is substantially equivalent to current cost.

Retail Method

M. H. FISHMAN CO. INC.

Current Assets:

Merchandise inventories—At lower of cost (retail method) or market	$11,040,889

J. J. NEWBERRY CO.

Current Assets:

Merchandise on hand and in transit, at lower of cost (principally retail method) or market	$81,435,899

SPARTANS INDUSTRIES, INC.

Current Assets:

Inventories (Note D)	$219,525,260

Note D: Inventories—Inventories at August 3, 1969 are summarized by categories as follows:

Retail		$169,251,614
Manufacturing:		
Finished goods	$32,245,312	
Work in process	9,609,785	
Raw materials	8,418,549	50,273,646
Total		$219,525,260

Inventories are stated at lower of cost or market, first-in, first-out; retail inventories are computed by use of the retail inventory method.

SUPERMARKETS GENERAL CORPORATION

Current Assets:

Inventories	$51,175,775

Notes to Financial Statements

Inventories—

The inventories in the following categories have been primarily valued at:

Supermarkets—retail less estimated markups at various dates during the last three months of the fiscal year adjusted to the end of the fiscal year on the basis of gross profit percentages	$16,628,566
Department stores—on the retail method, substantially stated on the last-in, first-out basis which is lower than market. The inventories are approximately $2,000,000 lower than they would have been had the LIFO basis not been followed	18,996,768
Home improvement centers—lower of cost (first-in, first-out) or market	1,985,653
Supermarket, drug and home improvement distribution centers—lower of cost (first-in, first-out or average) or market	13,564,788
	$51,175,775

Accumulated or Production Cost

ACF INDUSTRIES, INCORPORATED

Current Assets:

Inventories—Note 2	$72,424,000

Note 2: Inventories—Inventories are stated at the lower of cost or market, cost being determined on an average cost method except for the cost of railroad cars in work in process and finished goods which is based on actual production cost. The inventories at December 31, 1969 and 1968 consist of:

	1969	1968
Raw materials and supplies	$27,887,000	$28,503,000
Work in process	26,642,000	23,557,000
Finished goods	17,895,000	15,763,000
	$72,424,000	$67,823,000

BAYUK CIGARS INCORPORATED

Current Assets:

Inventories at lower of cost or market—Note 1	$19,831,000

Note 1: Inventories comprise—

	1969	1968
Manufactured goods principally at average production cost	$ 4,024,000	$ 4,213,000
Raw materials, including those tobaccos held for aging which will not be used within one year, at average cost	14,679,000	21,041,000
Supplies, at first-in, first-out cost	1,128,000	1,214,000
	$19,831,000	$26,468,000

NORTH AMERICAN ROCKWELL CORPORATION

Current Assets:

Inventories, less progress payments: 1969, $204,221,000	$492,488,000

Notes to Financial Statements

Note 4: Inventories—Inventories are stated at the lower of cost or market. The major portion of the inventories, before reduction for progress payments wherein title to the related inventories vests in the United States Government, represents accumulated costs under fixed-price-type contracts and subcontracts in process (principally United States Government) less credits for partial deliveries and reductions to estimated realizable values where necessary.

STRUTHERS WELLS CORPORATION

Current Assets:

Inventories	$6,548,280

Notes to Financial Statements

Note 3: Inventories—Inventories are stated at the lower of cost or market. Cost is primarily determined on the first-in, first-out basis for raw materials and accumulated production costs for work in process.

Inventories are summarized as follows:

	1969	1968
Raw materials	$1,136,663	$1,183,561
Work in process	5,257,588	5,946,238
Finished products	154,029	264,789
	$6,548,280	$7,394,588

Replacement or Current Cost

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Current Assets:

Inventories, at lower of current cost or market—	
Products (principally finished)	$74,746,200
Operating materials and supplies	9,853,026
	$84,599,226

SCOTT PAPER COMPANY
Current Assets:
Inventories, at lower of cost (principally latest production or purchase cost) or market

	(Thousands of dollars)
Finished products	$40,196
Work in process	15,231
Pulp, logs and pulpwood	22,412
Other materials and supplies	29,836

UNIROYAL, INC.
Current Assets:
Inventories, at lower of cost or market:

Finished goods	$248,671,000
Goods in process of manufacture	34,552,000
Raw materials and supplies	94,276,000
Total Inventories	$377,499,000

Financial Notes

Inventories and Warranties—Inventories have been priced at the lower of current cost or market. Expenses and adjustments resulting from warranties on products manufactured and sold are charged to income as incurred.

Base Stock Method

EAGLE-PICHER INDUSTRIES, INC.
Current Assets:
Inventories $41,355,937

Notes to Consolidated Financial Statements

Inventories—Valuations are based on the lower of cost or market with the exception of certain quantities of lead and zinc valued under the base stock method at fixed prices which are lower than cost or market.

USE OF LIFO BY INDUSTRIAL GROUPS

Table 2-13 shows the extent of the use of the LIFO method. Of the 153 companies using LIFO as a method for determining the cost of inventories, eight use LIFO for all inventories, 62 use LIFO for a major portion of inventories (more than 50 percent), 55 use LIFO for less than 50 percent of inventories, and 28 mention the use of LIFO but do not disclose the amount of inventories involved. During 1969, six companies abandoned the use of LIFO, one company indicated a change to LIFO for a major portion of its inventory, and one company extended the use of LIFO.

Table 2-14 shows the number and percentage of companies using LIFO in each industrial classification; 1968 numbers and percentages are shown for comparison.

TABLE 2-13: USE OF LIFO INVENTORY METHOD

Number of Companies	1969	1968	1967
Applying lifo to all inventory classes	8	10	9
Applying lifo to certain inventory classes	145	158	170
No mention of application of lifo	447	432	421
Total	600	600	600

DETERMINATION OF "MARKET"

Market value was mentioned by 73 of the 600 survey companies in referring to inventory valuation. Table 2-15 shows 88 references to market value by the 73 companies. The following examples, taken from the 1969 reports, illustrate the terms used to describe or amplify the term *market.*

Market Based on Replacement Concept

BURLINGTON INDUSTRIES, INC.
Current Assets:
Inventories at the lower of cost (principally average cost) or market (replacement value):

Raw materials	$ 69,579,000
Stock in process	73,740,000
Produced goods	190,408,000
Supplies, dyes and chemicals	17,962,000
Total inventories	$351,689,000

GENERAL AMERICAN TRANSPORTATION CORPORATION
Current Assets:
Inventories:

Contracts in process—at cost	$37,994,692
Materials and supplies—at lower of cost (generally first-in, first-out method) or replacement market	10,864,629
	$48,859,321

HOMASOTE COMPANY
Current Assets:
Inventories—Note 4 .... $687,406

Note 4: Inventories—The inventories used in the determination of the cost of sales in the statement of profit and loss were as follows:

	1969 Jan. 1	1969 Dec. 31
Finished goods and goods in process	$269,826	$491,405
Raw Materials	124,637	112,977
Supplies	75,673	83,024
	$470,136	$687,406

The inventory valuation of raw materials and supplies at cost was determined by the "average cost" method. Finished goods and goods in process of the Company were valued at the lower of estimated or approximate average cost or market. In both cases, market refers generally to replacement cost. Due consideration was given obsolete items.

TABLE 2-14: COMPANIES REFERRING TO LIFO, BY INDUSTRY

Industrial Classification*	Companies Using Lifo 1969 Number	1969 Percent**	1968 Number	1968 Percent**
Food:				
Meat products (459)	3	33%	4	40%
Dairy products	—	—	—	—
Canning, etc. (116)	4	67	4	57
Packaged and bulk (34)	3	18	4	24
Baking	—	—	—	—
Sugar, confections, etc. (575, 596)	5	62	4	44
Beverages (398)	4	50	4	50
Tobacco products (470)	1	12	1	12
Textiles, apparel manufacturing, etc. (120, 587)	9	30	10	34
Paper products, packaging (312, 551)	9	47	10	53
Printing, publishing	—	—	—	—
Chemicals (231)	3	10	5	16
Drugs, cosmetics, soaps, etc. (325)	3	14	3	14
Petroleum (139, 382, 532)	15	62	15	60
Rubber products, etc. (379)	2	18	—	—
Shoes—manufacturing, merchandising, etc. (307)	2	22	3	33
Building:				
Cement (335)	2	40	2	29
Roofing, wallboard (564)	2	22	2	22
Heating, plumbing, air conditioning (174)	2	33	2	33
Other (566)	3	18	5	28
Steel and iron (89, 305, 465)	16	67	17	68
Metal—nonferrous (19, 480)	8	89	8	89
Metal fabricating (485, 522)	5	36	8	53
Machinery, equipment and supplies (151, 321)	8	22	9	25
Electrical equipment, appliances	—	—	—	—
Electrical, electronic equipment (184, 512)	6	17	6	16
Business equipment and supplies (395)	1	9	1	11
Containers (163)	3	37	3	37
Autos and trucks (including parts, accessories) (111)	3	14	5	21
Aircraft and equipment, aerospace	—	—	1	5
Railway equipment, shipbuilding, etc.	—	—	1	11
Controls, instruments, medical equipment, watches and clocks, etc. (276)	2	33	3	30
Merchandising:				
Department stores (226, 352)	6	50	7	58
Mail order stores, variety stores	—	—	—	—
Grocery stores (332)	3	14	3	17
Other	1	—	—	—
Motion pictures, broadcasting	—	—	—	—
Widely diversified, or not otherwise classified (58, 303, 535)	19	22	18	25
Total	153	25	168	28

*Numbers in parentheses refer to Company Appendix Section.
**Percent of total number of companies for each industrial classification included in the survey.

INTERCO INCORPORATED

Current Assets:

Inventories:	
Finished products and other merchandise	$117,704,952
Raw materials and work in process	36,868,166
	$154,573,118

Notes to Consolidated Financial Statements

Inventories—Approximately 90% of the inventories are priced at the lower of cost (first-in, first-out) or replacement market. The remainder of the inventories are priced at cost (last-in, first-out) which is below replacement market.

RAYBESTOS-MANHATTAN, INC.

Current Assets:

Inventories at lower of cost or market (Note B)	$29,189,826

Note B: Inventories—Inventories are stated at the lower of cost or replacement market value. Costs are determined, generally on the "average" method for raw materials and supplies, and the "first-in, first-out" method for work in process and finished goods inventories. The inventories comprise:

	1969	1968
Raw materials and supplies	$ 7,174,274	$ 6,874,536
Work in process	8,205,962	7,551,565
Finished goods	13,809,590	11,219,014
	$29,189,826	$25,645,115

TABLE 2-15: METHOD OF DETERMINING INVENTORY "MARKET"

Methods:	1969	1968	1967
Market based on replacement concept	38	36	36
Market based on realization concept	42	37	32
Hedging procedure	7	7	7
Other	1	1	2
Total	88	81	77
Number of Companies			
Indicating method of determining market	73	65	70
Not indicating method of determining market	505	510	477
No reference to market in inventory pricing data	22	25	53
Total	600	600	600

Market Based on Realization Concept

DAN RIVER MILLS, INCORPORATED

Current Assets:

Inventories (Note 2):	
Finished goods	$ 52,635,000
Work in process	31,160,000
Raw materials	21,850,000
Supplies	3,485,000
Total inventories	$109,130,000

Note 2: *Inventories*—Inventories are stated at the lower of cost (principally average cost) or market (net realizable value), except that cotton content included in the Corporation's inventory and substantially all cotton content included in the inventory of Woodside Mills are stated on the basis of cost (last-in, first-out) which is below replacement market.

W. R. GRACE AND CO.

Current Assets:	*(In thousands)*
Inventories—See page 53	$347,938

Notes to Financial Statements

Page 53: *Inventories*—

	1969	1968*
	(in Thousands)	
Raw and packaging materials	$ 88,433	$ 97,112
In process	28,769	29,404
Finished products	164,072	155,165
General merchandise, minerals, etc.	39,712	36,647
Stores and supplies	26,952	27,491
	$347,938	$345,819

Inventories are stated at the lower of cost or market. Market for raw and packaging materials and stores and supplies is based on replacement cost and for other inventory classifications on net realizable value. Due to the diversified nature of the companies' operations, several bases of determining costs are used, including first-in-first-out, average and identified cost.
*Restated for comparative purposes.

GRUMMAN CORPORATION

Current Assets:

Inventories, less progress payments (Note 2)	$89,398,708

Note 2: Inventories at Dec. 31, 1969 consist of work in process, $160,850,299, and raw materials, purchased parts and supplies, $76,-548,765, less progress payments, $148,000,356. Overhead expenses are allocated to all projects and are classified in the financial statements as work in process or costs and expenses. Inventories are carried at the lower of cost or realizable values on a total contract basis or, in the case of Gulfstream aircraft, on a total program basis. Accordingly, development costs and production costs in excess of revenues on the Gulfstream II program amounting to $13,-075,000, before taxes, were charged against income in 1969, as compared to $26,600,000 in 1968. Under the contractual arrangements by which progress payments are received from the United States Government, title to inventories identified with related contracts is vested in the Government.

BEECH AIRCRAFT CORPORATION

Current Assets:

Inventories—Note C	$68,341,865

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

	1969	1968
Finished aircraft including demonstrators	$ 7,471,625	$ 5,501,142
Work in process	50,843,713	53,572,887
Materials and parts	18,199,425	18,195,596
	76,514,763	77,269,625
Less progress payments	8,172,898	4,826,303
	$68,341,865	$72,443,322

Finished aircraft, materials and parts were priced at the lower of average cost or market. Demonstrator aircraft were reduced for anticipated reconditioning costs upon disposition.

The amounts for work in process were the total 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 balance to market (based on current selling prices). Engineering and tooling costs applicable to work in process were included to the extent recoverable under related programs.

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.

LING-TEMCO-VOUGHT, INC.

Current Assets:

Inventories—Note J	
Products	$260,260,000
Fixed price contracts, etc. in process	372,918,000
Materials, purchased parts and supplies	188,827,000
	822,005,000
Less progress payments received	299,884,000
	$522,121,000

Note J: *Inventories*—Products and materials inventories are generally valued at lower of average cost or market (net realizable value) except for steel products, certain food products and copper products which are valued at cost on the basis of "last-in, first-out," and certain meat products where costs are not ascertainable which are valued at market, less allowance for selling and distribution expenses.

Fixed price contracts in process generally comprise the cost of labor, material, and manufacturing, administrative and general overhead incurred on the contracts, less estimated cost of shipments but not in excess of net realizable values.

Hedging Procedure

NEBRASKA CONSOLIDATED MILLS CO.

Current Assets:

Inventories (Note 3)	$22,511,494

Note 3: *Inventories*—

	1969	1968
Wheat and flour	$ 7,724,047	$ 6,303,203
Mixed feed, ingredients and coarse grain	7,452,252	3,516,829
Containers, etc.	1,502,854	1,579,727
Livestock, poultry and related inventories	4,652,339	5,079,832
	21,331,852	16,479,591
Advance on commodity purchases	1,179,642	1,240,189
	$22,511,494	$17,719,780

Wheat and flour inventories are generally hedged to the extent practicable and are stated at market including adjustment to market of open contracts for purchases and sales. Inventories not hedged are priced at the lower of average cost or market.

INVENTORY RESERVES

In Chapter 6 of *Accounting Research Bulletin 43,* the committee on accounting procedure of the American Institute of Certified Public Accountants 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.

Table 2-16 indicates the number and types of inventory reserves shown by the survey companies.

In its *Opinion No. 12,* issued in December 1967, the Accounting Principles Board of the American Institute of Certified Public Accountants states:

Classification and Disclosure of Allowances

2. Although it is generally accepted that accumulated allowances for depreciation and depletion and asset valuation allowances for losses such as those on receivables and investments should be deducted from the assets to which they relate, there are instances in which these allowances are shown among liabilities or elsewhere on the credit side of the balance sheet.

3. It is the Board's opinion that such allowances should be deducted from the assets or groups of assets to which the allowances relate, with appropriate disclosure.

None of the survey companies showed an allowance or reserve for inventories in the liabilities section of the balance sheet. One company showed a reserve for possible future price declines as an appropriation of retained earnings.

Reduction to LIFO Cost

BELDEN CORPORATION

Current Assets:

Inventories, at lower of cost or market:	
Finished goods	$12,392,734
Work in progress	5,078,549
Raw materials	5,102,616

Notes to Consolidated Financial Statements

Note 2: *Inventories*—Inventories are priced on the basis of cost (average or first-in, first-out) or market, whichever is lower. Copper rod and copper content of products manufactured from copper are priced at cost under the last-in, first-out method adopted in 1939. Amounts applied to reduce inventories under the LIFO method were $2,824,813 at December 31, 1969, and $1,580,559 at December 31, 1968.

CRANE CO.

Current Assets:

Inventories, less LIFO reserve of $31,274,298 ($22,373,877 in 1968), at lower of cost or market:	
Finished goods	$ 66,675,813
Work in process	45,717,560
Raw materials and supplies	18,932,464
	$131,325,837

Base Stock Adjustment

NATIONAL LEAD COMPANY

Current Assets:

Inventories (Note 3)	$176,130,000

Note 3: *Inventories*—Inventories are valued at the lower of cost (principally average cost) or market. Certain metal inventories are

TABLE 2-16: INVENTORY RESERVES

Balance Sheet Presentation	1969	1968	1967	1965	1960	1955
Reduction to lifo cost	5	8	8	6	3	8
Base stock adjustment	1	2	2	3	4	4
Obsolescence	1	1	3	6	12	12
Possible future price declines or losses	3	2	2	2	8	14
Other	1	—	1	3	12	19
Purpose not stated	3	3	2	1	5	16
	14	16	18	21	44	73
No reference to inventory reserves	586	584	582	579	556	527
Total	600	600	600	600	600	600

valued using the last-in, first-out method, which results in such inventories being stated at less than current replacement cost at December 31, 1969. The valuation of a portion of these same inventories is further reduced by the use of the base stock method. Pursuant to such method, an inventory reserve (amounting to $10,572,000 in 1969 and $12,272,000 in 1968) is maintained based on quantities deemed normal at related fixed prices. Due to changes in operating conditions, and as part of its program to more effectively control the investment in inventories, the previously established normal quantities were reduced during 1969 resulting in an increase in net income of $2,267,000. During 1969, net income was reduced by $1,750,000 under the last-in, first-out method.

Obsolescence

INGERSOLL-RAND COMPANY
Current Assets:
Inventories $286,640,000

Notes to Financial Statements

Note 3: Inventories—Inventories are valued at the lower of cost less allowances for obsolescence, principally on the first-in, first-out basis, or market and include:

	1969	1968
Raw materials and supplies	$ 27,962,000	$ 24,385,000
Work in process	82,742,000	71,378,000
Finished goods	175,936,000	157,622,000
	$286,640,000	$253,385,000

UNBILLED COSTS

Certain companies, particularly those furnishing goods and services to governments and others under long-term contracts, incur costs which will be chargeable to customers but which are frequently not in the form of tangible assets. Such assets, less related advances on account or progress payments, are sometimes included with receivables (or if the advances exceed incurred costs, with current liabilities), but more frequently are shown separately or included with inventories. Table 2-17 shows the number of such presentations for the 600 survey companies in 1969. In addition there were 23 companies which did not show unbilled costs, but which deducted progress payments received from inventories. Examples of presentations of unbilled costs are shown below.

Unbilled Costs Shown Separately

DOYLE DANE BERNBACH INC.
Current Assets:
Expenditures billable to clients $5,351,406

GIANT FOOD INC.
Current Assets:
Reimbursable property costs — construction and leaseback agreements $845,741

GYRODYNE COMPANY OF AMERICA, INC.
Current Assets:
Unbilled Costs, Fees and Estimated Profit
Less: Progress Payments Received (1969—$152,000; 1968—$666,274) $2,386,870

TABLE 2-17: UNBILLED COSTS

Balance Sheet Presentation	1969	1968
Shown as separate caption	30	33
Included in inventories	22	22
Included with receivables	13	9
Deducted from liability for funds advanced	8	8
Total presentations	73	72
Number of Companies		
Reporting unbilled costs	63	64
Not reporting such costs	537	536
Total	600	600

NORTHROP CORPORATION
Current Assets:
Unreimbursed costs and fees under cost-plus-fee contracts, less allowances (1969—$1,528,818; 1968—$1,983,889) for adjustments $17,950,603

THE RUCKER COMPANY
Current Assets:
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 3) $3,091,277

Note 3: Method of Accounting for Income from Contracts—The Company generally follows the practice of recording income from contracts on the percentage-of-completion method of accounting. Under this method, income is determined by applying the percentage-of-completion of contracts in each year to the estimated final income, except that projected losses are provided for in their entirety without reference to the percentage-of-completion. As contracts extend over one or more years, revisions in cost and profit estimates during the course of the work are reflected in the accounting period in which the facts which require the revision become known.

Unbilled Costs Included in Inventories

PULLMAN INCORPORATED
Current Assets:
Inventories, at lower of cost (principally first-in, first-out method) or market—

Finished goods	$ 13,680,000
Costs accumulated on uncompleted contracts and work in process	61,635,000
Raw materials, service parts and operating supplies	25,561,000
Total inventories	$100,876,000

MARTIN MARIETTA CORPORATION
Current Assets:
Inventories $157,957,883

Financial Review:

Working Capital (in part): Inventories of $157,958,000 included costs on contracts in progress in the amount of $64,818,000 and were net of progress payments of $56,397,000 on contracts under which title with respect to related inventories of approximately $98,975,000 had passed to the United States Government. Fixed-price type contracts are carried in inventories on the basis of accumulated costs, less costs applicable to deliveries, but not in

excess of realizable value; and inventories include unbilled costs on cost-type contracts.

Inventories of work in process and finished products in the amount of $65,054,000 and other inventories of materials, expendable parts, and supplies are stated at the lower of cost or market on a first-in, first-out basis.

Unbilled Costs Included with Receivables

BOISE CASCADE CORPORATION
Current Assets:

	(000)
Receivables and unbilled charges, less reserve of $2,472,000 in 1969 and $3,015,000 in 1968	$228,433

CONTROL DATA CORPORATION
Current Assets:

Receivables:	
Trade accounts less allowance of $1,637,435 in 1969 and $1,542,966 in 1968	$114,689,751
Unbilled receivables and accrued costs and estimated earnings on contracts in process	13,113,413
Current portion of long-term contracts receivable	17,949,230
Other	10,867,460
Total receivables	$156,619,854

STANRAY CORPORATION
Current Assets:

Accounts receivable—	
Trade accounts, less allowance for doubtful accounts of $303,400 in 1969, and $197,200 in 1968	$12,853,593
Unbilled revenues on construction contracts (Note 3)	2,923,306
	$15,776,899

Note 3: Accounting for Construction Contracts—The Company records sales and related profits on construction contracts in process at certain subsidiaries on the percentage-of-completion basis. Any estimated losses on contracts in process are recognized in advance of completion to the extent determinable.

Unbilled revenues represent sales recorded as described above for which billings have not been issued under the terms of the contracts.

Excess of Billings over Costs Incurred Shown as a Current Liability

ALPHA PORTLAND CEMENT COMPANY
Current Liabilities:

Billings in excess of costs and estimated earnings on uncompleted contracts	$1,392,382

CHICAGO BRIDGE & IRON COMPANY
Current Liabilities:

Contracts in progress with progress billings exceeding related accumulated costs of $155,984,584 in 1969 and $122,136,139 in 1968	$44,008,091

J. RAY McDERMOTT & CO., INC.
Current Liabilities:

Billings on uncompleted contracts (in excess of related costs, 1969, $19,198,716; 1968, $20,491,481)	$5,137,971

McDONNELL DOUGLAS CORPORATION
Current Liabilities:

Progress payments received from customers in excess of expenditures on con tracts	$110,100,313

PREPAID EXPENSES

The committee on accounting procedure of the American Institute of Certified Public Accountants in *Accounting Research Bulletin 43* (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

TABLE 2-18: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Balance Sheet Caption*	1969	1968
A: Prepaid expenses	315	314
B: Prepaid expenses and other current assets	46	53
C: Taxes paid in advance	36	38
D: Unexpired insurance	23	18
E: Prepaid expenses and taxes paid in advance	16	17
F: Supplies and prepaid expenses	13	13
G: Expenses applicable to future periods	7	10
Other captions indicating prepaid expenses	45	35
Other current assets—not identified	26	30
Total	527	528
Number of Companies		
Presenting prepaid expenses and/or other current assets	467	468
Not presenting prepaid expenses and/or other current assets	133	132
Total	600	600

*Refer to Company Appendix Section—A: 321, 330, 504, 588, 591, 639; B: 20, 30, 69, 560, 627, 633; C: 92, 105, 111, 518, 582, 600; D: 64, 76, 658; E: 115, 138, 521; F: 1, 68, 140; G: 116, 207.

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, 443 presented prepaid items in their 1969 balance sheets, and 24 additional companies presented a caption for "other current assets." Table 2-18 summarizes the various captions used. Examples illustrating the various types of prepaid items and their presentation in the balance sheets follow.

AMERICAN MOTORS CORPORATION
Current Assets:
Prepaid insurance, taxes, and other expenses $3,384,753

BRIGGS & STRATTON CORPORATION
Current Assets:
Unexpired Insurance Premiums, etc. $89,873

DRAVO CORPORATION
Current Assets:
Prepaid expenses and deferred charges $682,798

FORD MOTOR COMPANY
Current Assets: (*in millions of dollars*)
Prepaid expenses and other current assets $71.6

GIANT FOOD INC.
Current Assets:
Prepaid rent, taxes, etc. $875,827

MARSHALL FIELD & COMPANY
Current Assets:
Prepaid insurance, supply inventories, etc. $1,671,295

METRO-GOLDWYN-MAYER INC.
Current Assets: (in thousands)
Prepayments $2,299

RICHFORD INDUSTRIES, INC.
Current Assets:
Prepaid expenses and sundry receivables $266,646

SEARS, ROEBUCK AND CO.
Current Assets:
Prepaid advertising and other charges $53,587,194

SIGNODE CORPORATION
Current Assets:
Expenses applicable to future operations $711,000

SPERRY RAND CORPORATION
Current Assets:
Prepaid income taxes $24,200,000
Other prepaid expenses 11,633,791

SUNDSTRAND CORPORATION
Current Assets:
Prepaid expenses and deposits $3,754,000

UNION CARBIDE CORPORATION
Current Assets: (*Thousands of Dollars*)
Prepaid Expenses $39,886

F. W. WOOLWORTH CO.
Current Assets:
Operating supplies and prepaid expenses $8,024,941

OTHER CAPTIONS IN CURRENT ASSETS

In addition to the usual captions of *cash, marketable securities, receivables, inventories* and *prepaid expenses,* 70 of the 600 survey companies presented other captions in the current asset section of the balance sheet. Such captions are summarized in Table 2-19 and, except for deferred income taxes, are illustrated by examples which follow. (Examples of deferred income taxes are presented in connection with Table 3-18.)

Advances and/or Deposits

AMERICAN MAIZE-PRODUCTS COMPANY
Current Assets:
Advances to tobacco growers and processors, less allowance:
1969, $126,000 $2,671,578

DRAVO CORPORATION
Current Assets:
Advances to joint ventures $8,144,695

PERFECT FILM & CHEMICAL CORPORATION
Current Assets:
Advances for commissions and royalties $1,537,567

THE PILLSBURY COMPANY
Current Assets:
Advances on purchases $7,371,519

TABLE 2-19: OTHER CAPTIONS IN CURRENT ASSETS

Balance Sheet Presentation	1969
Deferred income tax	41
Advances and/or deposits	18
Property held for resale	10
Other captions	9
Total	78

CENTRAL SOYA COMPANY, INC.
Current Assets:
Margin deposits on commodity future contracts $3,022,206

SEABOARD ALLIED MILLING CORPORATION
Current Assets:
Margin deposits and advances on grain purchases $1,091,891

Property Held For Resale

ACME MARKETS, INC.
Current Assets:
Store properties covered by investors' commitments to purchase $1,787,935

COLONIAL STORES INCORPORATED
Current Assets:
Cost of properties under construction (to be sold under lease-back arrangements) $822,343

Other

DEL MONTE CORPORATION
Current Assets:
Expenditures on growing crops (Note C) $18,111,000

Note C: *Accounting for Growing Crops*—During the year ended May 31, 1969 the Corporation changed its method of accounting for development costs on perennial crops. Under the revised method, development costs are now written off over the productive life of the crop rather than in the year incurred. The effect of this change was to increase earnings for the year by $1,098,000 or $.09 per share.

LESLIE SALT CO.
Current Assets:
Current portion of net assets of discontinued operations (Note 1) $2,806,000

Note 1: *Financial Statements*—The consolidated financial statements include the Company and its three wholly-owned domestic subsidiaries.

The Company's net equity in 1969 earnings and net assets of a 50%-owned domestic company and a 50%-owned foreign company (which began operations in early 1969) are included in the consolidated financial statements net of estimated Federal income taxes which would be payable upon distribution. Retained earnings at December 31, 1969, includes $437,000 of undistributed earnings of the domestic affiliate and $46,000 of undistributed earnings of the foreign affiliate. Dividends of $50,000 were received from the affiliates during the year ended December 31, 1969.

In January 1970, the Company, pursuant to an agreement entered into in 1969, sold the net assets of the Spice Islands operation for $3,456,000 in cash and $600,000 in notes receivable bearing interest at nine percent due 1974 to 1977. The agreement provides that, at the buyer's option, the Company will repurchase on July 31, 1970, uncollected accounts receivable which arose prior to the sale. The gain (approximately $700,000 before related income taxes) will be included in income in 1970. A portion of the net assets sold have been reported as current assets at December 31, 1969, based on the ratio of proceeds to be received in 1970 to total proceeds. The Company also disposed of the assets and operations of San Francisco Fish Farms, Inc., in 1969. The net sales of the discontinued operations were $5,973,000 and $6,187,000 in 1969 and 1968, respectively. The 1968 amounts related to the discontinued operations have been reclassified in the accompanying statement of consolidated income and retained earnings to conform with the 1969 presentation.

MERCK & CO., INC.
Current Assets:
Current assets of foreign subsidiaries and branches $134,801,132

XEROX CORPORATION
Current Assets:
Accrued rentals $80,546,000

PROPERTY, PLANT, AND EQUIPMENT

BASIS OF VALUATION

In 1965, the Accounting Principles Board of the American Institute of Certified Public Accountants issued *Opinion No. 6,* in which certain bulletins by the predecessor committee on accounting procedures were revised, including the following:

ARB 43, Chapter 9B—Depreciation on Appreciation

17. Paragraphs 1 and 2 are deleted and the following paragraph is substituted for them:

1. The Board is of the opinion that property, plant and equipment should not be written up by an entity to reflect appraisal, market or current values which are above cost to the entity. This statement is not intended to change accounting practices followed in connection with quasi-reorganizations or reorganizations. This statement may not apply to foreign operations under unusual conditions such as serious inflation or currency devaluation. However, when the accounts of a company with foreign operations are translated into United States currency for consolidation, such write ups normally are eliminated. Whenever appreciation has been recorded on the books, income should be charged with depreciation computed on the written up amounts.

TABLE 2-20: VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Basis of Valuation	1969	1968	1965	1960
Cost	563	554	545	519
Substantially at cost	11	15	18	N/C
Other	4	5	15	43
Number of Companies				
Disclosing valuation basis	578	574	578	562
Not disclosing basis	22	26	22	38
Total	600	600	600	600

N/C—Not compiled.

As indicated in Table 2-20, 578 companies disclosed in their 1969 annual reports the valuation basis of property, plant and equipment. Only 15 of these companies disclosed bases other than cost.

Valuation at Cost

THE BRISTOL BRASS CORPORATION

Property, Plant and Equipment—on the basis of cost—	
Land	$ 171,772
Buildings	2,013,660
Equipment	11,384,658
Construction and equipment installations in progress (estimated additional cost to complete: 1969—$90,000; 1968—$266,000)	62,687
Allowances for depreciation (deduction)	(4,878,434)
	$ 8,754,343

THE COCA-COLA COMPANY

Property, Plant and Equipment:	
At cost:	
Land and improvements	$ 48,698,160
Buildings	162,397,526
Machinery and equipment	345,332,860
Containers	70,881,668
	627,310,214
Less allowance for depreciation	230,627,335
	$396,682,879

GERBER PRODUCTS COMPANY

Land, Buildings, and Equipment—on the basis of cost	
Land	$ 1,147,799
Buildings	28,387,757
Machinery and equipment	35,725,814
Allowances for depreciation (deduct)	(29,460,820)
Total Land, Buildings, and Equipment	$35,800,550

THE HOBART MANUFACTURING COMPANY

Property, Plant, and Equipment—at cost:	
Land	$ 1,683,239
Buildings	18,062,840
Machinery and equipment	28,014,482
Total	47,760,561
Less accumulated depreciation	21,138,811
Property, plant, and equipment—net	$26,621,750

THE MAYTAG COMPANY

Property, Plant and Equipment—on the basis of cost	
Land	$ 794,240
Buildings and improvements	26,110,053
Machinery and equipment	47,455,617
	74,359,910
Less allowances for depreciation	42,793,351
	$31,566,559

Substantially at Cost

DEL MONTE CORPORATION

Plant and Equipment, net (details on page 15)	$159,481,000

Details of Items in Accounts (Page 15)

Plant and Equipment (at approximate cost):	
Land, other than ranch land	$ 17,153,000
Buildings	77,349,000
Machinery and equipment	180,590,000
Ranch land, improvements and equipment	30,140,000
	305,232,000
Less—Accumulated depreciation	145,751,000
	$159,481,000

THE GILLETTE COMPANY

	(Thousands of Dollars)
Property, Plant and Equipment, substantially at cost (Note 8):	
Land	$ 7,622
Buildings	75,525
Machinery and equipment	121,924
	205,071
Less accumulated depreciation	65,135
Net Property, Plant and Equipment	$139,936

Note 8: *Depreciation*—Depreciation is computed primarily on the straight-line basis over the estimated useful lives of the assets and amounted to $13,000,000 for the year 1969.

THE KENDALL COMPANY

Fixed Assets (Note C):	
Land and land improvements	$ 4,670,000
Buildings and building equipment	31,346,000
Machinery and equipment	88,578,000
Construction in progress	2,250,000
	126,844,000
Less—Depreciation	59,245,000
	67,599,000
Funds held by trustee for construction project	314,000
	$ 67,913,000

Note C: *Fixed Assets*—The fixed assets are carried substantially at cost less depreciation provided and charged to earnings. Depreciation has been provided for in the accounts on the straight-line method at rates based on reasonable estimates of useful lives. The accompanying statement of earnings includes charges for depreciation of fixed assets of $6,390,000 in 1969 and $5,643,000 in 1968.

HAT CORPORATION OF AMERICA

Fixed Assets—Notes A, C and D:	
Land, buildings, machinery and equipment	$12,271,000
Less: Reserves for depreciation	5,350,000
Net Fixed Assets	$6,921,000

Note A: During the year, the Company purchased the net assets and business of Cable Raincoat Company and affiliates ("Cable") and in separate transactions the net assets of two other companies. The aggregate excess of purchase prices over the net assets acquired at the respective dates of acquisitions amounted to $1,570,000, of which $1,217,000 was allocated to Fixed Assets and $353,000 to Trade Names and Other Intangibles. Two of the aforementioned purchase agreements contain provisions for future contingent payments in cash (maximum of $3,250,000) based upon certain specified levels of net income and/or net sales of the acquired businesses. In the event that any future contingent payments are required to be made, the amounts thereof will be charged to Trade Names and Other Intangibles.

Note C: Fixed assets are stated substantially at cost and are summarized as follows:

	1969	1968	Annual Rates of Depreciation
Land	$ 433,000	$ 296,000	
Buildings	4,638,000	2,334,000	2%-25%
Machinery, furniture, fixtures and equipment	7,200,000	6,282,000	7%-33-1/3%
	$12,271,000	$8,912,000	

Depreciation is provided for principally by the straight-line method.

Fixed assets with a net book amount of $533,000 are pledged as collateral under mortgages payable—see Note D.

Note D (in part): *Long Term Debt*—

2%-6% real estate mortgages of subsidiaries (payable in installments to February 1987)	$420,000

UNITED MERCHANTS AND MANUFACTURERS, INC.

Property, Plant and Equipment, less reserves for depreciation and amortization of $87,733,428 (Note D)	$111,059,590

Note D: *Property, Plant and Equipment*—Property, plant and equipment, stated principally at cost, consist of the following:

Land	$ 3,040,222
Buildings ($41,772,234), machinery and equipment ($142,073,841) and leasehold improvements ($6,-824,601), less reserves for depreciation and amortization of $87,733,428	102,937,248
Buildings, machinery and equipment under construction	5,082,120
	$111,059,590

Depreciation and amortization charged to operations amounted to $10,566,769, and was computed generally on the straight-line method.

Other Valuation Bases

POTLATCH FORESTS, INC.

	1969	1968
Land, other than timberlands	$ 5,228,790	$ 4,862,428
Buildings and equipment, at cost, less accumulated depreciation ($130,195,-614 in 1969; $119,947,-725 in 1968) (Note 3)	154,006,834	144,092,133
Timber, timberlands, and related logging facilities, net (Note 4)	43,183,102	43,666,099

Note 3: *Depreciable Assets*—Buildings, machinery, etc., are summarized as follows:

	1969	1968
Lumber, plywood, and other wood products facilities	$ 63,740,686	$ 61,583,569
Pulp, paper, and paperboard facilities	136,488,277	132,250,220
Paper and paperboard converting facilities	45,643,992	42,520,733
Other properties, including logging equipment and railroad facilities	18,755,725	18,508,221
	264,628,680	254,862,743
Construction in progress	19,573,768	9,177,115
	$284,202,448	$264,039,858

Assets in the foregoing summary are depreciated for financial purposes primarily on the straight-line method over the estimated useful lives of the assets.

Authorized but unexpended appropriations for property additions and improvements amounted to approximately $12,453,000 at December 31, 1969.

Note 4: *Timber, Timberlands, and Related Logging Facilities*—Timber, timberlands and related logging facilities, as shown below, are stated at March 1, 1913, values, plus additions, at cost, less accumulated depletion and amortization.

	1969	1968
Timber and timberlands	$40,262,109	$40,559,177
Related logging facilities	2,920,993	3,106,922
	$43,183,102	$43,666,099

With respect to timber, it is the policy to record depletion on the basis of estimated volume recoverable. Amortization of the related facilities (roads, bridges, landings, etc.) is based upon estimated recoverable timber made accessible by the facilities. Depletion and amortization charged to income in 1969 amounted to $2,303,712 ($2,274,196 in 1968) and $2,172,873 ($1,705,168 in 1968), respectively.

PHELPS DODGE CORPORATION

Property, plant and equipment—net (Note B)	$413,024,071

Note B: *Property, Plant and Equipment.* Property, plant and equipment consists of:

	Asset value	Allowances for depreciation, depletion and amortization	Net
December 31, 1969			
Buildings, machinery and equipment at cost:			
At mines, refineries, etc.	$386,702,157	$168,878,496	$217,823,661
At manufacturing plants	191,078,031	63,892,444	127,185,587
	577,780,188	232,770,940	345,009,248
Mining properties	187,322,318	155,949,874	31,372,444
Pre-operating mine development	21,349,038	103,828	21,245,210
Lands, etc. at cost or less	15,397,169	—	15,397,169
Total	$801,848,713	$388,824,642	$413,024,071
December 31, 1968			
Buildings, machinery and equipment at cost:			
At mines, refineries, etc.	$323,283,272	$159,905,711	$163,377,561
At manufacturing plants	160,603,780	55,779,425	104,824,355
	483,887,052	215,685,136	268,201,916
Mining properties	187,322,318	155,249,045	32,073,273
Pre-operating mine development*	11,918,213	—	11,918,213
Lands, etc. at cost or less	12,320,658	—	12,320,658
Total	$695,448,241	$370,934,181	$324,514,060

*Reclassified from Deferred Charges.

The principal depreciation methods used are the "unit of production" basis for mining operations and, for other operations, the straight-line method generally based on guideline lives established by the Internal Revenue Service.

Mining properties are carried at book values, the principal portion of which is based on engineers' valuations prior to 1932 and the balance of which is carried at cost or at nominal amounts.

The deduction for depletion of metal mines has been computed on the basis of an overall unit rate applied to the pounds of copper sold from mine production. The Corporation makes no representation that the deduction represents the depletion actually sustained or the decline, if any, in mine values attributable to the year's operations (which amounts are not susceptible of determination), or that it represents anything other than a general provision for the amortization of the remaining book value of mines. Depletion used in estimating income taxes has been computed on a statutory basis and differs from the amount shown in these accounts.

DISCLOSURE

In December 1967, the Accounting Principles Board of the American Institute of Certified Public Accountants issued its *Opinion No. 12—Omnibus Opinion—1967,* which states (for financial periods beginning in 1968 and thereafter):

> 5. Because of the significant effects on financial position and results of operations of the depreciation method or methods used, the following disclosures should be made in the financial statements or in notes thereto:
>
> a. . . . .
>
> b. Balances of major classes of depreciable assets, by nature or function, at the balance-sheet date,
>
> c. Accumulated depreciation, either by major classes of depreciable assets or in total, at the balance-sheet date.

Table 2-21 shows that 393 companies presented *land* as a separate caption and that 67 companies presented, in addition to a caption containing the word *land,* a caption for *timberlands* or other specific types of land.

Table 2-22 shows that 542 companies presented details of their depreciable assets. Of these companies, 502 presented details by type of property. The average number of detail captions used per company was 3.

TABLE 2-22: DEPRECIABLE PROPERTY

	Captions Presented*	1969	1968
A:	Buildings	283	277
B:	Buildings and improvements	113	104
	Buildings combined with land or equipment	72	62
C:	Buildings—other captions	39	40
	Subtotal	507	483
D:	Machinery and/or equipment	416	421
E:	Machinery and/or equipment combined with other	91	N/C
F:	Machinery or equipment for rental or lease	25	N/C
G:	Construction in progress	184	177
H:	Leasehold improvements	81	104
I:	Furniture (furniture and fixtures, etc.)	66	90
J:	Automobiles, marine equipment, etc.	53	54
K:	Tools, dies, etc.	9	N/C
	Other captions	82	98
	Total captions	1514	1427
	Number of Companies:		
	Presenting above captions	502	474
L:	Depreciable property breakdown by line of business	40	40
	Not presenting details of depreciable property	58	86
	Total	600	600

N/C—Not compiled.
*Refer to Company Appendix Section—A: 45, 180, 224, 610; B: 276, 352, 487, 522; C: 30, 227; D: 218, 690; E: 16, 58, 134, 624; F: 115, 293, 321, 598; G: 127, 443, 591; H: 6, 315, 386, 645; I: 282, 646, 712; J: 43, 228, 350, 601; K: 250, 715; L: 69, 497, 532.

TABLE 2-21: LAND

	Number of Companies Showing:*	1969	1968	1967
A:	Land	393	388	415
B:	Land and land improvements	64	68	N/C
C:	Land and buildings	42	38	44
D:	Land and/or specific type of land and/or rights	20	N/C	N/C
E:	Other, or no land indicated	24	35	N/C
		543	529	459
F:	Included in breakdown by line of business	34	36	23
	No breakdown of property	23	35	118
	Total	600	600	600
G:	Timberlands, mineral lands, etc.	67	70	N/C

N/C—Not compiled.
*Refer to Company Appendix Section—A: 1, 11, 42, 131; B: 27, 96, 168, 338; C: 17, 99, 173, 314; D: 19, 41, 122, 429, 539; E: 416, 672; F: 20, 21, 319, 455, 620; G: 26, 52, 163, 246, 551.

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 1960, 118 companies used the term *reserve* as compared with 31 companies in 1969. The term *accumulated* has gained wide acceptance, increasing in usage from 266 companies in 1960 to 452 companies in 1969. The term *allowance* was used in 1969 by 79 companies as compared with 129 companies in 1960.

Table 2-23 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

TABLE 2-23: ACCUMULATED DEPRECIATION

Primary Descriptive Terms*		1969	1968	1965	1960
A: Accumulated, etc.		452	435	378	266
B: Allowance, etc.		79	86	105	129
C: Reserve		31	39	67	118
D: Depreciation, etc., used alone, or other		38	40	50	87
Total		600	600	600	600
Other property reserves		7	8	18	24
*1969 Term Used With	Total	A	B	C	D
Depreciation	335	270	38	13	14
Depreciation and amortization	175	128	27	11	9
Depreciation and depletion	34	21	6	2	5
Depreciation, depletion and amortization	16	9	2	2	3
Other	40	24	6	3	7
Total	600	452	79	31	38

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 1969 the frequency of their combination with the primary terms.

In December 1967, the Accounting Principles Board of the American Institute of Certified Public Accountants issued *Opinion No. 12,* which included the following pronouncements concerning depreciation:

Classification and Disclosure of Allowances

2. Although it is generally accepted that accumulated allowances for depreciation and depletion and asset valuation allowances for losses such as those on receivables and investments should be deducted from the assets to which they relate, there are instances in which these allowances are shown among liabilities or elsewhere on the credit side of the balance sheet.

3. It is the Board's opinion that such allowances should be deducted from the assets or groups of assets to which the allowances relate, with appropriate disclosure.

Disclosure of Depreciable Assets and Depreciation

4. Disclosure of the total amount of depreciation expense entering into the determination of results of operations has become a general practice. The balances of major classes of depreciable assets are also generally disclosed. Practice varies, however, with respect to disclosure of the depreciation method or methods used.

5. Because of the significant effects on financial position and results of operations of the depreciation method or methods used, the following disclosures should be made in the financial statements or in notes thereto:

a. Depreciation expense for the period,
b. Balances of major classes of depreciable assets, by nature or function, at the balance-sheet date,
c. Accumulated depreciation, either by major classes of depreciable assets or in total, at the balance-sheet date, and
d. A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets.

OTHER RESERVES

Other reserves were deducted from the property accounts in 1969 for losses expected on sales or abandonment of plant in process of disposal.

Examples

Examples of presentation of land and depreciable assets, of accumulated depreciation thereon, and of other property reserves are presented below.

Breakdown by Kind of Property

ALLIED CHEMICAL CORPORATION

Property, plant and equipment, at cost less accumulated depreciation, depletion and amortization	$903,431,000

Other Financial Data (Amounts in thousands)

Property, Plant and Equipment

	December 31 1969	1968
Land and land improvements	$ 66,631	$ 64,020
Oil and gas properties, mines, quarries	183,663	177,221
Machinery and equipment	1,491,643	1,373,436
Buildings	255,147	246,901
Office furniture	22,613	20,727
Transportation equipment	36,196	21,939
	2,055,893	1,904,244
Less—Accumulated depreciation, depletion and amortization	(1,152,462)	(1,056,341)
	$ 903,431	$ 847,903

BRENCO INCORPORATED

Properties and Equipment—At cost:		
Land and Grading	$ 355,563	
Property Improvements	193,375	
Buildings	2,589,046	
Machinery and equipment	10,732,407	
	$13,870,391	
Less: Accumulated Depreciation (Note 4)	4,039,325	$9,831,066

Note 4: Substantially all of the Company's depreciation is computed using the declining-balance method.

CENTRAL SOYA COMPANY, INC.

Property, plant and equipment, at cost less accumulated depreciation (Note 3)	$60,282,353

Note 3: Property, Plant and Equipment—Property, plant and equipment consisted of:

	1969	1968
Buildings and storage facilities	$39,722,736	$36,312,729
Machinery and equipment	75,539,912	69,921,319
Construction in progress	3,009,235	1,996,860
Depreciable property, plant and equipment (at cost)	118,271,883	108,230,908
Less accumulated depreciation	60,164,371	53,599,818
	58,107,512	54,631,090
Land	2,174,841	2,064,631
Net property, plant and equipment	$60,282,353	$56,695,721

Depreciation, which for financial statement purposes is generally provided by the straight line method, amounted to $6,242,931 in 1969 and $5,848,199 in 1968.

ENGELHARD MINERALS & CHEMICALS CORPORATION

Property, Plant and Equipment, at Cost:	
Land	$ 3,506,560
Buildings and building improvements	34,475,912
Machinery and equipment	99,441,712
Construction and installations in progress	3,190,818
Mineral deposits and mine development	5,239,197
	145,854,199
Less accumulated depreciation and depletion (Note 3)	68,061,158
Net property, plant and equipment	$77,793,041

Note 3: Depreciation and Depletion—It is the policy of the Company to provide for depreciation principally under straight-line and sum-of-the-years digits methods by charges to income in amounts sufficient to write off the cost of depreciable assets over their estimated useful lives. Depletion of mineral deposits has been provided at amounts estimated to cover the cost of the particular properties being mined, based on quantities depleted and periodic estimates of the minerals in place on such properties. Depreciation and depletion charged to earnings for the year 1969 amounted to $9,240,476; for the year 1968, $8,253,750.

FALSTAFF BREWING CORPORATION

Property—At cost:	
Land	$ 2,569,711
Buildings	27,604,228
Machinery and equipment	44,616,866
Cooperage, bottles, and pallets	23,444,417
Construction in progress	1,869,219
Total	100,104,441
Less accumulated depreciation and other reserves	44,932,587
Remainder	55,171,854
Leasehold improvements — unamortized portion	545,856
Property—net	55,717,710

FOOTE MINERAL COMPANY

Property, plant and equipment, at cost:	
Land	$ 1,560,064
Mineral rights and lands	1,045,191
Buildings	33,990,919
Machinery and equipment	82,383,006
Construction in progress	1,737,742
	120,716,922
Less accumulated depletion, depreciation and amortization	57,761,017
	$ 62,955,905

THE DOW CHEMICAL COMPANY

Plant Properties Note C)	
Cost	$2,305,128,787
Less—Accumulated depreciation	1,010,128,768
	$1,295,000,019

Note C: Plant Properties—Properties and accumulated depreciation at December 31, 1969 were:

Classifications	(000 omitted) Cost	Accumulated Depreciation
Land	$ 47,904	
Land and waterway improvements	41,304	$ 19,706
Buildings	250,661	106,556
Machinery and other equipment	1,577,422	839,169
Wells and brine systems	35,089	20,666
Furniture and fixtures	25,325	13,606
Other	21,162	10,426
Construction in progress	306,262	
Total	$2,305,129	$1,010,129

Depreciation in the United States and Canada is computed primarily under the declining-balance method, whereas in other countries the straight-line method is generally used.

FORD MOTOR COMPANY

Property, Plant and Equipment	(*in millions of dollars*)
Property, plant and equipment at cost	$6,776.1
Less accumulated depreciation	3,237.9
	3,538.2
Unamortized special tools	573.0
Net property, plant and equipment	$4,111.2

Notes to Financial Statements

Property, Plant and Equipment—Property, plant and equipment at December 31, 1969 are summarized as follows (in millions of dollars):

Land	$ 151.0
Buildings and land improvements	2,094.7
Machinery, equipment and office furniture	4,366.1
Construction in progress	164.3
	6,776.1
Less accumulated depreciation	3,237.9
	3,538.2
Unamortized special tools	573.0
Total	$4,111.2

Accelerated depreciation methods are applied to approximately 77% of depreciable assets. The accelerated methods result in accumulated depreciation of approximately two-thirds of asset cost during the first half of their estimated useful lives. In general, the straight-line method of depreciation is applied to the remaining depreciable assets.

The costs of special tools are amortized over periods of time representing the short productive use of such tools.

GENERAL HOST CORPORATION

Property and plant, at cost, less accumulated depreciation of $55,638,000 and $56,651,000 (Note 10)	$41,595,000

Note 10: Property and Plant—

	December 27, 1969	December 28, 1968
Land	$ 3,504,000	$ 3,309,000
Buildings	32,089,000	31,339,000
Machinery and equipment	48,202,000	46,612,000
Automobiles and trucks	8,251,000	10,152,000
Construction in progress	1,423,000	3,654,000
Leasehold improvements	3,764,000	3,380,000
	97,233,000	98,446,000
Less — accumulated depreciation and amortization	55,638,000	56,651,000
	$41,595,000	$41,795,000

H. J. HEINZ COMPANY

Property, plant and equipment—at cost:	
Land	$ 11,621,666
Buildings and leasehold improvements, less accumulated depreciation of $32,092,160 ($30,343,808 in 1968)	85,643,207
Equipment, boats and fixtures, less accumulated depreciation of $100,283,832 ($92,362,586 in 1968)	118,023,147
Lug boxes, baskets and pallets, less amortization	2,841,955
	$218,129,975

HOLLY SUGAR CORPORATION

Property, Plant, and Equipment—Note 4	$87,765,561
Less accumulated depreciation	36,317,788
	$51,447,773

Note 4: Property—At March 31, 1969 property, stated at cost, included the following:

Operating plants:	
Land	$ 1,444,876
Buildings	18,638,149
Machinery and equipment	54,941,152
Total	75,024,177
Operating equipment—nonstationary	10,751,761
Farm property and other	1,989,623
Total	$87,765,561

Depreciation of operating plants is computed by use of the straight-line method, modified in later years of plant life to a declining-balance method. The straight-line method and, since 1954 under certain conditions, the sum-of-the-years-digits method have been used for property other than operating plants.

HOUDAILLE INDUSTRIES, INC.

Property, Plant and Equipment—At Cost:	
Land and land improvements	$ 3,979,897
Land—Aggregate reserves	5,652,198
Buildings	24,557,829
Machinery and equipment	65,878,186
Office furniture and fixtures	2,794,870
Mobile equipment and motor vehicles	18,516,924
Construction in progress	440,184
Total	121,820,088
Less accumulated depreciation, depletion, and amortization	77,507,567
Property, plant, and equipment—net	$ 44,312,521

Notes to Financial Statements

Note F: Depreciation, Depletion, and Investment Credit—Depreciation is recorded in the accounts using both accelerated and straight-line methods applied to individual property items. For those assets which are depreciated on the straight-line method in the accounts and on an accelerated method for tax purposes, provision is made each year for the taxes which will be payable in future years.

Depletion is provided for book purposes at rates per ton calculated to amortize the residual book value of quarry lands over the remaining tons estimated to be recoverable.

During 1969, after a comprehensive study of its depreciation policies, the Corporation elected to depreciate, for financial reporting purposes, its newly acquired assets on a uniform basis utilizing straight-line methods. Previously a combination of accelerated and straight-line methods had been used. For tax purposes accelerated methods will continue to be followed. At the same time estimated useful lives for certain categories of asset additions were lengthened for both financial reporting and tax purposes. The effect of these changes was to increase 1969 net income by $296,000 or $.04 per share.

Investment credit of $522,000 for 1969 (including $80,000 from lengthened lives as noted above) has been included in the statement of consolidated income as a reduction of income tax expense.

IOWA BEEF PACKERS, INC.

Property, Plant and Equipment, at cost (Notes B, E and F):	
Land and land improvements	$ 3,405,000
Buildings and stockyards	17,041,000
Equipment	22,706,000
	43,152,000
Less accumulated depreciation and amortization	5,944,000
	37,208,000
Plant expansion in process	10,779,000
	$47,987,000

Note B: Acquisition of Blue Ribbon Beef Pack, Inc.—During the year the Company acquired, in exchange for $5,331,000 of its convertible debentures, all the outstanding stock of Blue Ribbon Beef Pack, Inc. which had plants in LeMars and Mason City, Iowa. The acquisition was accounted for as a purchase, and the operations of Blue Ribbon since May 31, 1969, have been included in the accompanying financial statements. The cost in excess of the net assets acquired, amounting to $2,556,000, was allocated to property, plant and equipment.

The United States Justice Department has filed suit under the Clayton Anti-Trust Act in an attempt to require the Company to dispose of the plants acquired. The case has been set for trial on March 2, 1970, and the outcome or its possible financial effect on the Company is not determinable at this date.

Note E: Property, Plant and Equipment—Plant expansion in process at November 1, 1969 represents costs of the expansion of the breaking facilities at Dakota City, Nebraska ($6,199,000) and the construction of breaking facilities at Emporia, Kansas ($4,580,000).

The Company has elected, when permissible, to compute depreciation on an accelerated basis for income tax purposes, whereas depreciation has been computed on the straight-line method for reporting purposes. Deferred income taxes have been provided for the additional depreciation deducted for tax purposes.

Note F (in part): Long-Term Obligations—Property, plant and equipment with a net carrying value of $35,463,000 are pledged as collateral under the Dakota County, West Point and Emporia bonds and the mortgage notes.

MCA INC.

Property, Plant and Equipment, at cost (Note 3)	
Land	$ 6,298,000
Plant and equipment	76,309,000
	82,607,000
Less—Accumulated depreciation	26,735,000
	55,872,000

Note 3: Property, Plant and Equipment—Plant and equipment, at cost, comprised:

Buildings and improvements	$42,895,000
Furniture, fixtures and equipment	26,245,000
Residual value of hotel	4,122,000
Leasehold improvements	3,047,000
	$76,309,000

Depreciation for the major portion of buildings, improvements, furniture, fixtures and equipment is provided on an accelerated declining balance method until such time as a greater amount of annual depreciation will be provided by changing to the straight line method; other buildings, improvements, furniture, fixtures and equipment are depreciated on the straight line method. Leasehold improvements are amortized over the lesser of the life of the respective leases or the life of the improvement. Depreciation and amortization expense amounted to $4,408,000 in 1969 and $4,566,000 in 1968.

During 1969, the company completed construction of a hotel which it has leased to the operator for a minimum period of 21 years. In accordance with the financing method of accounting, aggregate minimum rentals, net of $9,303,000 of unearned finance charges, are included in the consolidated balance sheet as 'Receivable under long term lease." The $4,122,000 of cost remaining at the end of the initial lease period is carried in plant and equipment as "Residual value of hotel."

LOCKHEED AIRCRAFT CORPORATION

Property, Plant and Equipment (Note 5):	1969	1968
Cost	$608,806,000	$500,688,000
Less accumulated depreciation and amortization	270,957,000	234,234,000
	$337,849,000	$266,454,000

Note 5: Property, plant and equipment stated at cost are summarized as follows:

	December 28, 1969	December 29, 1968
Land	$ 24,480,000	$ 23,074,000
Buildings and structures	179,020,000	138,844,000
Machinery and equipment	318,520,000	242,860,000
Leasehold improvement	60,972,000	51,770,000
Construction in progress	25,814,000	44,140,000
	$608,806,000	$500,688,000

The Company uses the double-declining balance method to depreciate most of its plant and equipment during the first half of the asset's estimated useful life. Thereafter such assets are depreciated on the straight-line method.

A material portion of the plant facilities used by the Company is furnished by the U.S. government.

MARLENE INDUSTRIES CORPORATION

Property, Plant and Equipment, at cost less accumulated depreciation and amortization: 1970, $2,234,232; (Notes 2 and 4) $7,212,312

Note 2: *Property, Plant and Equipment—*

	Cost	Accumulated Depreciation
Owned by the Company:		
Land	$ 52,410	
Buildings and improvements	456,023	$ 57,702
Machinery and equipment	3,939,602	1,663,228
Leasehold improvements	563,936	172,487
Furniture and fixtures	293,789	124,677
Automotive equipment	120,587	72,478
	5,426,347	2,090,572
Property Rights Under Leases:		
Land	155,603	
Buildings	2,317,794	131,111
Machinery and equipment	245,121	12,549
Construction in progress	1,301,679	
	4,020,197	143,660
Total	$9,446,544	$2,234,232

Depreciation and amortization expenses are computed on a straight line basis and amounted to $607,187.

Note 4 (in part): *Long-Term Debt*—Notes, bearing interest at rates ranging from 4% to 7% per annum are secured by mortgage; on three plants. They are payable in monthly installments through 1989.

RAYTHEON COMPANY

Property, Plant and Equipment, at cost, less accumulated depreciation and amortization (Note C) $116,347,660

Note C: *Property, Plant and Equipment*—Balances, at cost, by major classification at December 31 are as follows:

	1969	1968
Land	$ 4,759,296	$ 3,764,425
Buildings and leasehold improvements	64,346,865	50,877,451
Machinery and equipment	172,706,820	148,873,954
Equipment leased to others	2,873,042	3,132,095
	244,686,023	206,647,925
Less accumulated depreciation and amortization	128,338,363	114,836,815
	$116,347,660	$ 91,811,110

Generally, provisions for depreciation are computed on the sum-of-the-years digits method, except for certain subsidiaries that use the straight-line or declining balance method. Useful lives, on which depreciation provisions are based, approximate U.S. Treasury guidelines. Leasehold improvemests are being amortized over the lesser of lease periods or estimated useful lives.

NORTH AMERICAN PHILIPS CORPORATION

Property, plant and equipment, at cost, less accumulated depreciation — $72,956,656 ($64,339,041—1968) (Note 3) $96,516,127

Note 3: *Property, Plant and Equipment—*

	December 31, 1969	1968
Land	$ 6,057,679	$ 4,929,813
Buildings, installations and improvements	52,209,793	47,319,785
Machinery and equipment	73,496,648	66,146,940
Equipment rented to customers	10,802,444	8,653,612
Furniture and fixtures	6,693,991	6,227,414
Other, including construction in progress	4,996,573	4,696,020
	$154,257,128	$137,973,584
Carrier operating property (including franchises of $711,459 not being amortized)	15,215,655	15,033,390
	$169,472,783	$153,006,974
Less accumulated depreciation (including $8,113,545 and $7,992,820 relating to carrier operating property)	72,956,656	64,339,041
	$ 96,516,127	$ 88,667,933

Depreciation is provided over the estimated useful lives of the various properties, principally on the straight-line basis.

ST. REGIS PAPER COMPANY

Property, plant, and equipment, at cost (Note 3):	
Land, buildings, and equipment	$891,126,000
Less accumulated depreciation	448,381,000
Land, buildings, and equipment, net	442,745,000
Timberlands and cutting rights	100,247,000
Less accumulated depletion	29,577,000
Timberlands and cutting rights, net	70,670,000
Total property, plant, and equipment, net	$513,415,000

Note 3: *Property, Plant, and Equipment*—Land, buildings, and equipment consisted of:

Land	$ 40,871,000
Buildings	153,905,000
Machinery and equipment	678,453,000
Other	17,897,000
Total	$891,126,000

For financial reporting purposes, depreciation is generally charged on the straight-line method over the assets' estimated useful lives, which are principally forty years for buildings and five to sixteen years for machinery and equipment.

Authorizations for future capital expenditures aggregated approximately $22,000,000 at December 31, 1969, as to which commitments of approximately $10,000,000 had been made at that date.

THE STANDARD REGISTER COMPANY

Plant and Equipment	
Buildings and improvements	$10,620,293
Machinery and equipment	25,618,317
Office equipment	1,424,321
Rental equipment	2,516,792
Total, at cost	40,179,723
Less allowance for depreciation	15,810,606
Depreciated cost	24,369,117
Buildings and equipment under construction, at cost	2,587,881
Land, at cost	938,390
Total plant and equipment	$27,895,388

STANDARD PACKAGING CORPORATION

Property, Plant and Equipment—at cost:	
Land and water rights	$ 1,172,594
Buildings	5,601,945
Machinery and equipment	31,940,132
Other (including construction in progress: 1969—$1,265,600; 1968—$707,900)	2,680,548
Total	41,395,219
Less accumulated depreciation	23,779,661
Property, plant and equipment—net	$17,615,558

Notes to Financial Statements

Note 7: Depreciation—Depreciation, for financial statement purposes, is provided on a straight-line basis over the following estimated useful lives of assets in service:

Buildings	5 to 50 years
Machinery & Equipment	3 to 40 years
Dams, Booms, Piers, etc.	15 to 40 years

Leasehold improvements are amortized over the periods of the respective leases or the useful lives of the improvements, whichever are less.

UNITED STATES SMELTING REFINING AND MINING COMPANY

Properties, plants and equipment, at cost (Note 3)	$154,557,450
Less, accumulated depreciation, depletion and amortization and reserve for losses on capital assets	79,880,919
	$ 74,676,531

Note 3: The major classifications of properties, plants and equipment at December 31, 1969 were as follows:

		(In Thousands)
Depreciable properties:		
Mills, refinery buildings and equipment		$ 18,436
Mine buildings and equipment and oil and gas equipment		34,026
Fabricating plants and equipment		33,147
Construction in progress		13,433
Other		3,196
		102,238
Depletable mining properties and oil and gas interests		42,663
Amortizable oil and gas well intangible drilling costs		2,621
Other capital assets		7,035
		154,557
Less,		
Accumulated depreciation	$53,596	
Accumulated depletion and amortization	22,861	
Reserve for losses on capital assets	3,424	79,881
		$ 74,676

Depreciation is based on the estimated useful lives of the respective assets. For the metal-mining and oil properties, depreciation is computed either on the basis of unit of production or a straight-line method. Depletion and amortization of intangible drilling costs are based on estimated recoverable units.

OWENS-ILLINOIS, INC.

Fixed assets (see Page 3):

	(In thousands)
Buildings and equipment, at cost	$1,045,416
Less accumulated depreciation	408,630
	636,786
Land, timberlands and mineral deposits, at cost less depletion	101,734
	$ 738,520

Financial Report (Page 3)

Fixed Assets and Depreciation—The major classes of property, plant, and equipment are as follows:

	1969	1968
	(Thousands of Dollars)	
Cost:		
Buildings and building equipment	$ 290,973	$269,199
Factory machinery and equipment	679,262	623,674
Transportation, office and miscellaneous equipment	43,254	41,211
Construction in progress	31,927	47,923
	1,045,416	982,007
Accumulated depreciation	408,630	371,961
	636,786	610,046
Land, timberlands, and mineral deposits, at cost less depletion	101,734	102,322
	$ 738,520	$712,368

The straight-line depreciation method has been used since 1964 for all units except Lily-Tulip which changed to this method in 1966. Accelerated methods are used for tax purposes where permitted by law.

WINNEBAGO INDUSTRIES, INC.

Property and Equipment, at cost (Notes 4 and 5)	
Land and land improvements	$ 268,545
Buildings	1,786,955
Machinery and equipment	870,469
Transportation equipment	513,403
Dies, jigs and patterns	257,303
Construction in progress	833,053
	$4,529,728
Less accumulated depreciation	556,005
	$3,973,723

Note 4: Pledged Assets and Long-Term Debt—Long-term debt at February 22, 1969, consisted of the following:

	Current Maturities	Long-Term Maturities
First mortgage note 5%, payable $2,288 monthly, including interest, with the final payment due in 1990, secured by real estate with a depreciated cost of $579,835	$10,027	$343,082
Second mortgage note, 5%, payable $387 monthly, including interest with the final payment due in 1990, secured by real estate with a depreciated cost of $579,835	3,549	21,060
	$13,576	$364,142

Note 5: Depreciation Method and Amounts—The depreciation expense reflected in the consolidated statement of income was computed by the straight-line method and amounted to $193,094 and $171,123 for the years ended February 22, 1969 and February 24, 1968, respectively.

Breakdown by Division

AMERICAN ZINC COMPANY

	(In Thousands)
Property, Plant and Equipment, at cost (Note 7)	$65,280
Less accumulated depreciation and depletion	25,133
	$40,147

Note 7: Property, Plant and Equipment—A summary of property, plant and equipment at June 30, 1969 follows (in thousands):

	Cost	Accumulated Depreciation & Depletion	Net
Manufacturing Division	$36,041	$13,304	$22,737
Mining Division	15,807	5,795	10,012
Stone Division	5,430	2,685	2,745
Construction in Progress	739		739
General	362	119	243
Idle Property	6,901	3,230	3,671
	$65,280	$25,133	$40,147

Depletion of mineral lands and depreciation of plant and equipment directly related and inseparable from mining property is com-

puted on the unit-of-production method. All other plant and equipment is depreciated using the straight-line method over the estimated remaining useful lives.

Idle property, net, consists of property held for sale, $1,321,000, and property temporarily inactive pending future development, $2,350,000.

AMERICAN METAL CLIMAX, INC.

Property, plant and equipment, at cost, less accumulated depreciation and depletion (Note 7)	$439,470,000

Note 7: Property, Plant and Equipment—

Mining properties and milling plants	$391,320,000
Smelters and refineries	167,420,000
Oil and gas properties	9,460,000
Metal fabricating plants	86,960,000
Chemical plant	9,690,000
Miscellaneous property and equipment	23,160,000
Total Cost	688,010,000
Less accumulated depreciation ($222,250,000) and depletion	248,540,000
Net book value	$439,470,000
Charges to operations for the year:	
Depreciation	$ 23,700,000
Depletion	3,510,000
	$ 27,210,000

Depreciation and depletion are computed primarily on the straight-line and unit of production methods, respectively.

STANDARD OIL COMPANY (INDIANA)

Properties—at cost, less depreciation, depletion, and amortization reserves of $2,716,906,000 at December 31, 1969 and $2,678,650,000 at December 31, 1968	$3,495,106,000

Statement of Investment in Properties (in part)

Investment in Properties (Thousands of Dollars)

	1969 Capital Expenditures		Investment December 31, 1969		
	Amount	%	Gross	Net	%
Production	$386,929	56%	$3,145,665	$1,703,241	49%
Manufacturing	26,056	4	990,930	415,605	12
Chemicals	107,633	16	521,505	422,153	12
Transportation	44,344	6	601,108	269,010	8
Marketing	108,399	16	855,148	627,049	18
Other	16,888	2	97,656	58,048	1
Total	$690,249	100%	$6,212,012	$3,495,106	100%

DIAMOND SHAMROCK CORPORATION

	1969	1968
Properties and Equipment, at cost less depreciation and depletion (*Note 3*)	$386,724,000	$384,460,000

Note 3: Properties

	December 31, 1969	December 31, 1968
Oil, gas and other raw material resources	$142,818,000	$137,458,000
Processing facilities	400,326,000	389,694,000
Lake transport vessels	70,496,000	69,909,000
Other transportation, marketing and general facilities	125,879,000	117,758,000
Construction in progress	16,357,000	11,656,000
	755,876,000	726,475,000
Less — Accumulated depreciation and depletion	369,152,000	342,015,000
	$386,724,000	$384,460,000

The provision for depreciation, depletion and amortization was $35,919,000 for 1969 and $35,268,000 for 1968. Oil and gas, lake transport and other transportation, marketing and general facilities are depreciated and depleted generally on the straight-line method. Chemical processing equipment is also depreciated on the straight-line method except for additions during the years 1954-1967 which are depreciated on an accelerated method. For all facilities, accelerated depreciation has been used for income tax purposes where permitted and appropriate provision has been made for the resulting deferred taxes.

Other Property Reserves

GENERAL REFRACTORIES COMPANY

Property, plant and equipment, at cost:	
Land	$ 3,183,761
Mineral lands	4,515,043
Buildings	45,349,441
Machinery and equipment	109,690,781
	162,739,026
Less accumulated depreciation and depletion (including allowance for loss on abandonment and write-down of $12,940,000 in 1969 and $11,845,000 in 1968)	102,747,340
	$ 59,991,686

Notes to Consolidated Financial Statements

Note 7: Property, Plant and Equipment—The Company and its subsidiaries provide allowances for depreciation principally on a straight-line basis by periodic charges to operations over the estimated useful life of each particular asset. Depletion rates vary according to the estimated recoverable tonnages and respective costs of the various properties.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

	1969	1968
Property, Plant and Equipment—at cost (Note 4)	$556,792,000	$501,656,000
Less — Accumulated depreciation and provision for loss on disposal of assets	252,706,000	216,515,000
	$304,086,000	$285,141,000

Note 4: Property, Plant and Equipment—

	December 31, 1969	December 31, 1968
Land and land improvements	$ 31,061,000	$ 28,155,000
Buildings	111,246,000	102,033,000
Machinery and equipment	374,338,000	350,639,000
Other	10,020,000	7,999,000
Construction in progress	30,127,000	12,830,000
	$556,792,000	$501,656,000

In its accounts, the Company determines depreciation for groups of assets by the straight-line method based on estimated useful lives. For income tax purposes, depreciation is based on accelerated methods and shorter lives where permitted. Income taxes applicable to the difference between depreciation recorded in the accounts and that deducted for tax purposes are included in deferred taxes on income.

In 1969, the Company determined that, as a result of technological obsolescence or inadequate profitability, certain chemical plant facilities and processes should be disposed of, requiring provision for estimated loss thereon of $8,523,000 after applicable income tax benefits of $7,970,000. Since a substantial portion of the loss is reportable at different times for tax and financial accounting purposes, $6,945,000 of the tax benefits has been charged to Deferred Taxes on Income.

UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

Accounting Research Bulletin No. 51, issued in 1959 by the committee on accounting procedure of the American Institute of Certified Public Accountants, was modified as it relates to unconsolidated domestic subsidiaries by *Opinion No. 10* of the Accounting Principles Board. Paragraphs 19, 20, and 21 of ARB 51 state:

UNCONSOLIDATED SUBSIDIARIES IN CONSOLIDATED STATEMENTS

19. There are two methods of dealing with unconsolidated subsidiaries in consolidated statements. Whichever method is adopted should be used for all unconsolidated subsidiaries, subject to appropriate modification in special circumstances. The preferable method, in the view of the committee, is to adjust the investment through income currently to take up the share of the controlling company or companies in the subsidiaries' net income or net loss, except where the subsidiary was excluded because of exchange restrictions or other reasons which raise the question of whether the increase in equity has accrued to the credit of the group. (Adjustments of the investment would also be made for "special" debits or credits shown on the income statements of the unconsolidated subsidiaries below the net income for the period, and for similar items shown in the schedule of earned surplus.) The other method, more commonly used at present, is to carry the investment at cost, and to take up income as dividends are received; however, provision should be made for any material impairment of the investment, such as through losses sustained by the subsidiaries, unless it is deemed to be temporary. When the latter method is followed, the consolidated statements should disclose, by footnote or otherwise, the cost of the investment in the unconsolidated subsidiaries, the equity of the consolidated group of companies in their net assets, the dividends received from them in the current period, and the equity of the consolidated group in their earnings for the period; this information may be given in total or by individual subsidiaries or groups of subsidiaries.

20. Whichever method of dealing with unconsolidated subsidiaries is followed, if there is a difference between the cost of the investment and the equity in net assets at the date of acquisition, appropriate recognition should be given to the possibility that, had the subsidiaries been consolidated, part of such difference would have been reflected in adjusted depreciation or amortization. Also, appropriate recognition should be given to the necessity for an adjustment for intercompany gains or losses on transactions with unconsolidated subsidiaries. If sales are made to unconsolidated subsidiaries and the investment in the subsidiaries is carried at cost plus the equity in undistributed earnings, an elimination of unrealized intercompany gains and losses should be made to the same extent as if the subsidiaries were consolidated. The same applies where intercompany sales are made by the unconsolidated subsidiaries. If, however, the investment is carried at cost, it is not necessary to eliminate the intercompany gain on sales to such subsidiaries, if the gain on the sales does not exceed the unrecorded equity in undistributed earnings of the unconsolidated subsidiaries. If such gain is material, it should be appropriately disclosed. Where the sales are made by the unconsolidated subsidiaries to companies included in the consolidated group, the intercompany gains or losses should be eliminated in arriving at the amount of the equity in the undistributed earnings of the unconsolidated subsidiaries which will be disclosed in a footnote or otherwise. (See paragraph 19.)

21. Where the unconsolidated subsidiaries are, in the aggregate, material in relation to the consolidated financial position or operating results, summarized information as to their assets, liabilities and operating results should be given in the footnotes or separate statements should be presented for such subsidiaries, either individually or in groups, as appropriate.

TABLE 2-24: UNCONSOLIDATED SUBSIDIARIES—VALUATION

Number of Presentations	1969	1968	1967
Domestic and Canadian:			
Equity in net assets	76	69	68
Cost plus equity in accumulated earnings	38	42	38
Other, or basis not set forth	43	35	77
Subtotal	157	146	183
Foreign (excluding Canada):			
Equity in net assets	42	38	44
Cost plus equity in accumulated earnings	30	28	31
Cost (or substantially at cost)	58	59	76
Other, or basis of valuation not set forth	35	40	43
Subtotal	165	165	194
Total	322	311	377

Number of Companies	1969	1968	1967
With investment account for unconsolidated subsidiaries	239	230	271
With no such account	361	370	329
Total	600	600	600

Opinion No. 10 (effective for periods beginning after December 31, 1966) states in part:

3. If, in consolidated financial statements, a domestic subsidiary is not consolidated, the Board's opinion is that, unless circumstances are such as those referred to in paragraph 2 of ARB No. 51, the investment in the subsidiary should be adjusted for the consolidated group's share of accumulated undistributed earnings and losses since acquisition. This practice is sometimes referred to as the "equity" method. In reporting periodic consolidated net income, the earnings or losses of the unconsolidated subsidiary (or group of subsidiaries) should generally be presented as a separate item. The amount of such earnings or losses should give effect to amortization, if appropriate, of any difference between the cost of the investment and the equity in net assets at date of acquisition and to any elimination of inter-company gains or losses that would have been made had the subsidiary been consolidated. If desired, dividends received by members of the consolidated group from the unconsolidated subsidiary may be shown parenthetically or by footnote. (See also paragraph 21 of ARB 51, which relates to disclosure of assets and liabilities of unconsolidated subsidiaries.)

4. The Board is of the opinion that, in the preparation of consolidated financial statements for periods subsequent to the effective date of this Opinion, the accounts of all subsidiaries (regardless of when organized or acquired) whose principal business activity is leasing property or facilities to their parents or other affiliates should be consolidated. The Board believes that the "equity" method, referred to in paragraph 3, which directs its emphasis primarily to recognizing results of operations of the enterprise as a whole, is not adequate for fair presentation in the case of these subsidiaries because of the significance of their assets and liabilities to the consolidated financial position of the enterprise.

Footnotes to the Opinion state:

Cumulative undistributed earnings at the effective date of this Opinion should be reflected, with a corresponding adjustment of retained earnings, and reported as a prior period adjustment resulting from a retroactive change in the application of an accounting principle: where the results of operations of prior periods would be materially affected, they should be restated. See paragraph 25 of APB Opinion No. 9.

Extraordinary items and prior period adjustments may require treatment in accordance with APB Opinion No. 9 if, on a consolidated basis, such items would be material in relation to consolidated net income. Thus, consolidated income before extraordinary items and consolidated net income would be the same as if the unconsolidated subsidiary were fully consolidated.

TABLE 2-25: 50%-OWNED COMPANIES—VALUATION

Number of Presentations	1969	1968	1967
Domestic and Canadian:			
Equity in net assets	34	24	36
Cost plus equity in accumulated earnings	26	22	27
Cost (or substantially at cost)	23	32	35
Cost, or below cost (less reserve)	7	10	10
Other, or basis of valuation not set forth	15	14	15
Subtotal	105	102	123
Foreign (excluding Canada):			
Equity in net assets	25	23	25
Cost plus equity in accumulated earnings	24	17	17
Cost (or substantially at cost)	29	33	41
Cost, or below cost (less reserve)	6	11	8
Other, or basis of valuation not set forth	15	15	13
Subtotal	99	99	104
Total	204	201	227
Number of Companies			
With investment account for 50%-owned companies	144	152	165
With no such account	456	448	435
Total	600	600	600

BASIS OF VALUATION

Tables 2-24, 2-25, and 2-26 summarize the valuation bases at which investments in unconsolidated subsidiaries and affiliates are shown in the financial statements of those survey companies disclosing such investments. (Consolidation policies are summarized in Tables 1-14, 1-15, and 1-16.)

In addition to the information shown in the aforementioned tables, 17 companies presented separate financial statements for unconsolidated subsidiaries, 33 companies made reference to joint ventures, and 57 companies disclosed the amount of the underlying equity in investments carried at cost.

Table 2-27 summarizes the captions used by the 600 survey companies in reporting their investments in unconsolidated subsidiary and affiliated companies. As in preceding years, the great majority of companies used the caption *Investments in* or *Investments in and Advances to.*

TABLE 2-26: OTHER AFFILIATED COMPANIES—VALUATION

Number of Presentations	1969	1968	1967
Domestic and Canadian:			
Cost (or substantially at cost)	77	71	62
Cost, or below cost (less reserve)	22	17	9
Other	16	10	6
Valuation not set forth	17	11	13
Subtotal	132	109	90
Foreign (excluding Canada):			
Cost (or substantially at cost)	65	65	63
Cost, or below cost (less reserve)	16	23	14
Other	16	17	6
Valuation not set forth	25	23	14
Subtotal	122	128	97
Total	254	237	187
Number of Companies			
With investment account for affiliates	187	174	135
With no such acccount	413	426	465
Total	600	600	600

TABLE 2-27: UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES—PRESENTATION

Balance Sheet Terminology*	1969	1968	1967
A: Investments in	192	193	215
B: Investments in *and* advances to	119	112	106
C: Investments in *and* receivables due from	7	11	10
D: Securities	14	11	6
E: Equity in net assets	13	10	11
F: Equity in net assets *and* advances to	4	7	11
G: Other	21	7	7
H: Included in other assets	16	8	5
Total	386	359	371
Number of Companies			
Referring to unconsolidated subsidiaries and affiliated companies	357	342	363
Not so referring	243	258	237
Total	600	600	600

*Refer to Company Appendix Section—A: 88, 326, 329; B: 124, 213, 240; C: 130, 567, 605; D: 263, 460, 519; E: 150, 310, 431; F: 380, 684; G: 13, 208, 249; H: 42, 252.

The following examples, selected from the 1969 reports, illustrate the basis of valuation, the method of disclosure thereof, the balance sheet presentation, and various other types of information concerning unconsolidated subsidiary and affiliated companies.

Subsidiaries—Equity in Net Assets

ANDERSON, CLAYTON & CO.

Investment in nonconsolidated subsidiaries (Note 3) $48,007,000

Note 3: Investments in nonconsolidated subsidiaries are valued as indicated below. The equity applicable to these investments and current receivables from these subsidiaries are:

	June 30, 1969		
	Receivables	Investment	Parent Co. Equity
Latin American—at cost or less:			
South American	$23,034,000	$11,539,000	$29,564,000
Mexican	26,365,000	3,901,000	23,657,000
Total	49,399,000	15,440,000	53,221,000
Domestic—at equity:			
Finance	339,000	20,303,000	20,303,000
Insurance	320,000	12,264,000*	12,264,000*
	$50,058,000	$48,007,000	$85,788,000

*As of December 31, 1968

APCO OIL CORPORATION

Investments and advances $6,503,741

Investments and Advances—Investments and advances are summarized as follows:

Unconsolidated subsidiaries, at equity in net assets (including advances of $2,850,000)	$1,472,904
Stock in associated companies, at cost	4,463,508
Advances to associated companies	567,329
	$6,503,741

Notes to Financial Statements

Principles of Consolidation—All subsidiary companies have been included in the consolidated financial statements except an 80% owned subsidiary (Apco Farm Chemicals, Inc.) and a 70% owned subsidiary (Transammonia, Inc.) which are included at the Company's equity. The underlying net assets of these subsidiaries at December 31, 1969, are as follows:

	Apco Farm Chemicals, Inc.	Transammonia, Inc.
Current assets	$2,130,478	$10,424,543
Other assets	2,070	310,912
Total assets	2,132,548	10,735,455
Current liabilities	2,121,347	11,820,477
Other liabilities	—	301,035
Total liabilities	2,121,347	12,121,512
Net equity (capital deficiency)	$ 11,201	$(1,386,057)

Apco Farm Chemicals, Inc., had net earnings of $6,201 in 1969 from gross sales of $5,885,049 and Transammonia, Inc. had a net loss of $1,829,056 in 1969 from gross sales of $41,824,406.

CITIES SERVICE COMPANY

Investments and Sundry Assets	
Securities of and advances to unconsolidated foreign subsidiaries and 50% owned companies	$21,600,000
Atlantic Richfield Company Common Stock—at cost (quoted market value at February 20, 1970 approximates $200,000,000)	23,600,000
Other securities and advances	24,600,000
Accounts and notes receivable—not current	23,200,000
	$93,000,000

Financial Review

Accounting Policies—Principles of Consolidation—The consolidated financial statements include the accounts of Cities Service Company, all domestic subsidiaries and certain foreign subsidiaries. Investments in unconsolidated foreign subsidiaries and 50% owned companies, which companies in the aggregate are not significant, are stated at equity in the underlying net assets with appropriate provision for the possibility of less than full realization of such equity. Cities Service's interest in the current earnings of such companies, less taxes estimated to be payable upon distribution, is included in consolidated income.

DAN RIVER MILLS, INCORPORATED

Investments and other assets:

	(Amounts in Thousands)
Investment in and advance to wholly-owned subsidiary company, not consolidated (Note 1):	
Capital stock, at cost	$ 6,200
Equity in undistributed earnings	8,420
Long-term subordinated note due 1979	1,800
	16,420
Non-current receivables and other assets	1,332
Total investments and other assets	$17,752

Note 1 (in part): *Principles of Consolidation*—(a) The consolidated financial statements include the accounts of all subsidiary companies, except the accounts of Iselin-Jefferson Financial Company, Inc. and its subsidiary companies, and in consolidation all significant inter-company items of the consolidated group have been eliminated. The investment in Iselin-Jefferson Financial Company, Inc. is stated in the accounts of the Corporation at the amount of the underlying net asset values as reflected in the subsidiary's consolidated balance sheet as of January 3, 1970 appearing elsewhere in this report.

GENESCO INC.

Investments and long-term receivables	$15,367,000

Financial Review

All subsidiaries are consolidated except those with operations outside the United States and Canada and those engaged in unrelated operations, all of which together with 50% owned companies are carried at equity value, with the results of operations for the year reflected in other income. Nonconsolidation of these companies has no material effect on the consolidated financial statements taken as a whole.

Genesco's investments and long-term receivables consist of investments in nonconsolidated subsidiaries and 50% owned companies of $13,193,000, employees' secured stock purchase accounts of $532,000, and the cost of other investments in the amount of $1,642,000.

GLEN ALDEN CORPORATION

Investments and Advances:	
Seager Evans & Co. Ltd., at equity	$19,540,950
Briggs Manufacturing Company, at cost, less reserve of $2,750,000	4,918,547
Unconsolidated foreign subsidiaries and affiliates, substantially at cost	4,070,944
	$28,530,441

Notes to Financial Statements

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all subsidiaries except Seager Evans & Co. Ltd., a 75% owned subsidiary in the United Kingdom, and certain other foreign subsidiaries whose assets and operations are not significant. During December 1969, BHM Industries, Inc., a majority owned subsidiary of Schenley Industries, Inc. (majority control of Schenley was acquired by Glen Alden on September 1, 1968) was merged into Schenley in a pooling of interests. Retroactive effect has been given to this transaction in the accompanying consolidated financial statements.

OCCIDENTAL PETROLEUM CORPORATION

	(Thousands of dollars)
Investments In and Advances To Unconsolidated Subsidiaries and Affiliated Companies (Note 1)	$101,877

Note 1: *Principles of Consolidation and Acquisitions*—The consolidated financial statements include the accounts of Occidental Petroleum Corporation and its significant subsidiaries. Certain insignificant subsidiaries have not been consolidated since their operations are not similar to those of Occidental and its consolidated subsidiaries. All material intercompany accounts and transactions have been eliminated.

At December 31, 1969, investments in unconsolidated majority-owned subsidiaries are stated at amounts equivalent to the equity in net assets of those companies, except that certain investments in and advances to foreign subsidiaries and affiliates are stated at the lower of cost or underlying book value. The equity in net income of unconsolidated subsidiaries, which is not significant, is included in interest, dividends, etc., in the accompanying consolidated statements of income.

Foreign assets and liabilities have been translated to U.S. dollars at year-end exchange rates, except that property and long-term debt have been translated at approximate rates prevailing when acquired or incurred. Income and expense items have been translated at average rates of exchange prevailing during the year, except depreciation which has been calculated at the approximate rates prevailing when the properties were acquired.

In August, 1969, a subsidiary purchased the operating assets of Maust Coal and Coke Corp. for cash and assumption of liabilities totaling approximately $29,166,000. The acquisition of Maust was accounted for as a purchase.

REEVES BROTHERS, INC.

Investments in and Advances to Wholly-owned Subsidiaries—Note A	$7,753,851

Note A: On July 1, 1968, the Company purchased the net assets of two companies for cash and notes payable. The accounts of these companies have been included in consolidation in the accompanying financial statements since date of acquisition.

The accounts of an English and an Italian subsidiary (not significant subsidiaries) and of a factoring and finance subsidiary are not consolidated in the accompanying financial statements. The investments in these companies are carried at underlying book equity. The Company is of the opinion that an adjustment, if any, which would be required to its investment in its factoring and finance subsidiary (as to whose balance sheet at June 28, 1969 the independent public accountants have qualified their opinion) would not have a material effect on the accompanying consolidated financial statements. The Company is presently negotiating to sell substantially all of the assets of its factoring and finance subsidiary for an amount in excess of their net book amount. An advance of $2,600,000 to the factoring and finance subsidiary is subordinated to that subsidiary's other indebtedness.

REPUBLIC STEEL CORPORATION

Investments and Other Assets:

Investments in and receivables from unconsolidated subsidiaries—Note A	$18,454,385
Investments in and receivables from associated companies—Note C	47,951,621
Miscellaneous investments and receivables	5,941,195
	$72,347,201

Note A: *Principles of Consolidation*—Investments in unconsolidated domestic subsidiaries are carried at the equity in the net assets of such subsidiaries. The equity in net income of these subsidiaries for the year 1969 ($1,236,000) was included in consolidated net income.

Investments in unconsolidated foreign subsidiaries are carried at cost. The equity of the Corporation in the undistributed net income of such subsidiaries since dates of acquiring controlling interests therein amounted to approximately $16,820,000 at December 31, 1969. Dividends received ($5,500,000) and included in consolidated income for the year 1969 exceeded net income of such subsidiaries by approximately $2,550,000

Note C: *Associated Company*—The Corporation's investments include $28,029,107 representing the carrying amount of capital stock of Reserve Mining Company (representing a 50% interest) and of other funds furnished to Reserve by the Corporation. The other 50% capital stock interest is owned by Armco Steel Corporation. Separate financial statements for Reserve are included in reports filed annually with the Securities and Exchange Commission.

At December 31, 1969, Reserve had $83,422,000 Series A and $68,800,000 Series B Bonds outstanding. Until such bonds are paid in full, its stockholders are obligated, according to their proportionate interest, to take the entire production of Reserve and to pay its costs pursuant to the provisions of certain agreements. To the extent that may be required, the stockholders of Reserve have agreed to furnish Reserve amounts needed to pay fixed sinking fund installments on such bonds and any remaining principal amounts at their respective maturities; also for certain other purposes, funds would be obtained from its stockholders pursuant to subscription agreements.

Subsidiaries—Cost Plus Equity in Accumulated Earnings

ASHLAND OIL & REFINING COMPANY

Investment and Other Assets:

Foreign subsidiaries and affiliates	$30,785,000
Other companies—at cost	5,358,000
Notes and accounts receivable	12,668,000
Patents, contracts and other, less amortization	9,246,000
	$58,057,000

Accounting Policies

Principles of Consolidation—Consolidated financial statements include the accounts of all domestic and Canadian subsidiaries. Foreign subsidiaries and affiliates are not consolidated but are stated in the balance sheet at cost, adjusted for the Company's equity in undistributed earnings or losses, and the Company's share of the net income or losses of these companies is included in the statement of consolidated income. No provision has been made for foreign or domestic taxes which may be payable (after foreign tax credits) on future distributions of earnings from foreign subsidiaries and affiliates not consolidated, but included on an equity basis as the Company's operations are such that most of the funds will not be remitted to the United States in the foreseeable future. Foreign currency items have been translated to U.S. dollars at appropriate rates of exchange.

DIAMOND INTERNATIONAL CORPORATION

Investments in Nonconsolidated Subsidiaries (Note 1)	$3,564,000

Note 1: The consolidated financial statements include the Company and all significant subsidiaries (all wholly owned), including for all periods the accounts of The United States Playing Card Company and Lawler Manufacturing Company which were acquired in "pooling of interests" transactions during 1969. Investments in nonconsolidated subsidiaries are stated at cost, adjusted to reflect the Company's equity in undistributed net income since acquisition or formation.

Accounts of foreign subsidiaries have been translated into U.S. dollars at appropriate rates of exchange

ELTRA CORPORATION

Investments in and advances to subsidiaries not consolidated (*Note 3*):

Equipment leasing and finance companies	$11,699,525
Other companies—foreign	5,403,452
	$17,102,977

Note 3: *Investments in Subsidiaries not Consolidated—Equipment Leasing and Finance Companies*—Based on financial statements as of recent dates, in part unaudited, there is summarized below the combined financial position of domestic and foreign equipment leasing and finance companies, which are carried at investment cost and subsequent changes in equity since acquisition.

Assets:	
Receivables on equipment leasing and financing contracts	$78,510,317
Less—Unearned income and allowance for losses, net of accrued earned residuals	(10,109,013)
	68,401,304
Cash	7,455,264
Investments in special-purpose equipment leasing companies	616,456
Other	1,781,803
Total assets	78,254,827
Liabilities to Others:	
Accounts payable	4,769,793
Senior notes 7¾% due 1975 to 1984	5,000,000
Commercial paper	3,000,000
Notes payable to banks, principally short-term, partly secured (Note A)	51,397,759
Deferred income tax credit	1,675,443
Total	65,842,995
Net assets attributable to the Corporation's investments and advances	$12,411,832

Note A: The special-purpose equipment leasing companies, not combined herein, had separate obligations aggregating $11,226,000 on secured notes payable, principally non-current.

Note B: The French finance companies had contingent obligation on notes discounted of approximately $4,188,000.

Other Companies—Foreign—Investments in other foreign subsidiaries not consolidated, the largest being Brazilian, are carried at cost. These companies are located for the most part in countries where restrictions are imposed upon transfer of earnings or where currency uncertainties presently exist; in certain instances, declaration of dividends requires the approval of other shareholders in addition to Eltra Corporation. Based on financial statements of recent dates, in part unaudited, the net assets of these subsidiaries applicable to the Corporation's interests exceeded cost of investments as of September 30, 1969 by approximately $7,884,000. The last fiscal year earnings of such companies applicable to the Corporation's interest approximated $725,000. Dividends received from these companies in each of the 1968 and 1969 fiscal years were less than $25,000.

ALUMINUM COMPANY OF AMERICA

Investments (B):

Subsidiaries and jointly owned entities not consolidated	$246,381,608
Real estate developments	71,464,432
Other	30,715,058
Total investments	$348,561,098

Notes to Financial Statements

(Amounts in thousands, except share and ton amounts)

Note B: The consolidated financial statements include the accounts of Alcoa and its wholly owned subsidiaries, except for real estate developments and Alcoa Credit Company (ACC), which is engaged in consumer financing. Investments in other subsidiaries and jointly owned entities not consolidated (including ACC, which was separately classified in 1968) and in real estate developments are stated at cost, adjusted for Alcoa's equity in their results of operations since dates of acquisition, except that losses incurred by real estate developments which were in excess of investments are carried at cost.

The consolidated balance sheet includes net assets of wholly owned foreign subsidiaries and subsidiaries which are Western Hemisphere trade corporations (principally located in islands of the Caribbean and in South America), expressed in United States currency, as follows:

	December 31 1969	1968
Current assets	$120,028	$ 88,481
Current liabilities	22,546	11,987
Working capital	97,482	76,494
Investments	92,773	90,994
Properties, plants and equipment, net	215,603	207,444
Other assets and deferred charges	28,486	25,013
	336,862	323,451
Other liabilities	13,927	10,218
	322,935	313,233
	$420,417	$389,727

Revenues from customers of these subsidiaries for 1969 and 1968 were $195,229 and $142,997, respectively, and the portion represented by products manufactured by Alcoa in the United States was 46 percent for 1969 and 42 percent for 1968. The percentage of income before taxes on income on such total revenues from customers in 1969 was approximately the same as that realized on consolidated sales and operating revenues.

Investments in other subsidiaries and jointly owned entities not consolidated and other investments were classified at December 31, 1969, as follows:

	Subsidiaries and jointly owned entities not consolidated	Other
United States	$ 34,004	$ 8,566
Foreign:		
Western Hemisphere	15,690	7,060
United Kingdom, Europe and Africa	43,917	12,954
Australia and the Far East	152,771	2,135
	212,378	22,149
	$246,382	$30,715

Real estate developments are included in Alcoa's consolidated United States income tax return. The equity amounts for real

estate developments are net of $1,050 and $4,833 for 1969 and 1968, respectively, representing the allocation of taxes on income.

The summary of Alcoa's investment in real estate developments follows:

Equity in net assets of real estate developments, as shown by audited financial statements of Alcoa Properties, Inc., Alcoa's wholly owned real estate holding company, at December 31, 1969:		
Real estate, less accumulated depreciation and amortization of $56,536		$398,879
Encumbrances on real estate		291,122
		107,757
Other liabilities, including unsecured notes and other debt ($44,275), less other assets		27,763
		79,994
Minority interests		7,144
		72,850
Investments in and advances to real estate developments not majority owned		5,629
		78,479
Adjusted by the following:		
Excess of net assets of a development over cost of investment therein at date of acquisition ($2,501), plus excess of principal amount of debt and accrued interest of a development received over par value of preferred stock issued therefor, net of dividends thereon ($24,603)	$27,104	
Less, losses incurred by developments which were in excess of Alcoa's investment therein	20,089	7,015
Alcoa's investment in real estate developments		$ 71,464

Income tax provisions of subsidiaries not consolidated other than real estate were reduced in 1969 and 1968 by utilization of net operating loss carry-forwards, of which Alcoa's equity interest was $1,840 and $1,203, respectively.

GENERAL SIGNAL CORPORATION

Investments and Other Assets:	
Investments in nonconsolidated subsidiaries, at cost plus equity in undistributed earnings since acquisition	$3,342,181
Patents and other intangibles, less amortization	535,289
Other assets	831,064
	$4,708,534

GIDDINGS & LEWIS, INC.

Investments and Other Assets:	
Investments in and advances to nonconsolidated subsidiary at cost plus equity in accumulated earnings (Note 1)	$1,332,979
Nonoperating land (Note 3)	957,705
Other	1,044,740
Total investments and other assets	$3,335,424

Note 1: *Principles of consolidation*—The consolidated financial statements include the accounts of the Company and its 91.65% owned overseas (Scottish) subsidiary. The accounts of the overseas subsidiary have been translated into U.S. dollars at approximate rates of exchange. The accounts of a 51% owned domestic subsidiary have not been consolidated.

FOREMOST-McKESSON, INC.

Investments and Advances	
Foreign	$18,708,000
Domestic	15,398,000
Total investments and advances	$34,106,000

Notes to Financial Statements

Investments and Advances—Foreign investments and advances at March 31, 1969 consisted of subsidiaries, $13,798,000 (at cost plus undistributed earnings in calendar years 1967 and 1968), and other companies, $6,855,000 (at cost), less allowance for losses, $1,945,000; no provision has been made for Federal income tax on undistributed earnings because no tax is expected to result from any repatriation. At March 31, 1969 the equity in net assets of foreign subsidiaries exceeded the investment by approximately $1,800,000.

Domestic investments at March 31, 1969 included $8,600,000 representing costs allocated to equity securities received in August 1968 in exchange for the last two companies which were required to be divested by a 1967 order of the Federal Trade Commission. In connection with this transaction the FTC has ordered the sale of the aforementioned securities prior to August 6, 1971 (one fourth was sold in May 1969). The exchange agreement provides that Foremost-McKesson shall receive no more than $9,545,000, before related expenses, and no less than $7,464,000, after related expenses, from the sale of these securities.

THE KROGER CO.

Investments in and advances to unconsolidated companies (Note 1)	$16,934,705

Note 1 (in part): The consolidated financial statements include the company and all of its domestic subsidiaries except Top Value Enterprises, Inc. and two other companies. Controlling interest in the two other companies, which in the aggregate are not significant, was acquired during 1969.

Investments in and advances to unconsolidated companies:	
Domestic subsidiaries and fifty percent owned companies, at cost plus share of undistributed earnings since acquisition (equity in net assets amounted to $13,367,000)	$16,370,115
Foreign subsidiaries, at cost	564,590
	$16,934,705

SEARS, ROEBUCK AND CO.

Investments (Note 1)	$923,326,437

Financial Position Detail

Investments	
Unconsolidated subsidiaries and Simpson-Sears (Note 1)	
Allstate Insurance Company	$580,720,285
Allstate Enterprises, Inc.	58,845,798
Foreign Subsidiaries	74,034,216
Simpson-Sears Limited (50% of voting stock)	60,863,583
Other Subsidiaries	83,661,952
	858,125,834
Other investments and advances (principally at cost)	65,200,603
	$923,326,437

Note 1: *Consolidating principles*—The Company's policy is to fully consolidate all wholly owned domestic subsidiaries directly related to its retail distribution activities. The principal subsidiaries are:

Sears Roebuck Acceptance Corp.
Sears, Roebuck de Puerto Rico, Inc.
Sears, Roebuck S.A. (Central America)

Investments in unconsolidated subsidiaries and Simpsons-Sears Limited are stated at cost plus the increase in the Company's equity since date of acquisition. The stated amount of the investment in Allstate Insurance Company does not include unrealized capital gains on stocks owned by that subsidiary.

Subsidiaries—Cost or Less than Cost

JOHNS-MANVILLE CORPORATION

Investments and Advances (principally outside U.S.)	
Unconsolidated subsidiaries (Note 1)	$14,484,000
Other companies, at cost or less, except 50% owned companies at equity	23,969,000
Total	38,453,000

Note 1: The Company's equity in the underlying net assets of unconsolidated foreign subsidiaries at December 31, 1969, was approximately $6,557,000 in excess of the related investment, stated at

cost. The Company's equity in the earnings of these subsidiaries amounted to $1,908,000 in 1969 and $1,681,000 in 1968. Only the dividends from these subsidiaries ($651,000 in 1969 and $588,000 in 1968) are reflected in consolidated net earnings.

RELIANCE ELECTRIC COMPANY

	(Thousands of Dollars)
Investments and Other Assets:	
Foreign subsidiaries and affiliates—at cost, less allowance of $495,000 in 1969 (underlying equity $7,677,000), and $195,000 in 1968	$10,701
Applied Dynamics, Inc.—at cost—Note B	5,084
Notes receivable (less allowance of $348,000), deposits and deferred items	3,813
	$19,598

Note B: *Proposed Merger*—During 1969, the Company purchased 46.1% of the outstanding common stock of Applied Dynamics, Inc. The Directors of the Company and, on November 25, 1969, the shareholders of Dynamics approved an agreement of merger under which the Company will acquire the remaining ownership in Dynamics in exchange for approximately 198,000 shares of Common Stock. Consummation of the merger is dependent upon the satisfaction of certain conditions, including the receipt of a favorable income tax ruling from the Internal Revenue Service.

TWENTIETH CENTURY-FOX FILM CORPORATION

Investments and advances, at cost or less:	
Foreign theatre circuits (Note 3)	$1,765,987
Other companies	2,044,777
	$3,810,764

Note 3: *Foreign Theatre Circuits*—At December 27, 1969, investments in major foreign theatre circuits not consolidated (Australia and New Zealand) amounted to $1,765,987. In 1969 the African theatre circuit was sold, and the gain on the sale is included in extraordinary items in the statement of consolidated operations (see note 11). A condensed summary of the combined net assets (exclusive of goodwill and intangibles) of the two foreign theatre circuits, all converted at current foreign exchange rates, with the 1968 figures restated to exclude the African theatre circuit, is as follows:

	1969	1968
	(000 Omitted)	
Current assets	$ 2,266	$ 2,242
Investments	2,297	2,325
Property, plant and equipment, less accumulated depreciation	14,441	11,703
Total assets	19,004	16,270
Current liabilities*	5,087	3,275
Long-term liabilities*	2,126	1,789
Minority interests	1,709	1,710
Total liabilities	8,922	6,774
Net assets (exclusive of goodwill and intangibles) applicable to investments and advances	$10,082	$ 9,496

*Liabilities to outsiders, excluding Twentieth Century-Fox Film Corporation and subsidiaries.

Operating results of the two theatre circuits for the last two years are tabulated below:

	Gross Receipts	Earnings	Dividends Received from the Circuits
	(000 omitted)		
Australia:			
June 27, 1969	$11,165	$614	$340
June 28, 1968	10,678	590	21
New Zealand:			
December 27, 1969	3,012	116	112
December 28, 1968	2,981	127	39
Combined:			
1969	14,177	730	452
1968	13,659	717	60

50% Owned Companies—Equity In Net Assets

AMERICAN METAL CLIMAX, INC.

Investments in Amax Credit Corporation and 50%-owned companies (Note 6)	$17,400,000

Note 6: *Investments in Amax Credit Corporation and 50%-Owned Companies*—

	1969	1968
Amax Credit Corporation	$ 2,260,000	$ 2,150,000
Intalco Aluminum Smelter Operating Companies	6,760,000	6,230,000
Mackamax Aluminum Limited	880,000	940,000
Decatur Aluminum Inc.	970,000	840,000
Alumex S.A. de C.V.	1,760,000	—
Kawneer de Mexico, S.A. de C.V.	—	690,000
Kawneer Jamaica Ltd.	50,000	30,000
Gibraltar Coal Corporation	4,420,000	—
International Calciners, Inc.	300,000	—
	$17,400,000	$10,880,000

The Company's investment in Amax Credit Corporation and 50%-owned companies is carried at its equity in the net assets of these companies.

GENERAL REFRACTORIES COMPANY

Investments, including advances:	
Fifty per cent owned foreign companies at equity in net assets	$ 7,131,806
Notes receivable, less current maturities	1,539,409
Other, principally associated companies, at cost, less allowance of $320,000 in 1969 and 1968	3,186,239
	$11,857,454

Notes to Consolidated Financial Statements

Note 1: *Principles of Consolidation*—The Company consolidates the accounts of its majority-owned domestic and foreign subsidiaries, and in such consolidation states its investments in fifty per cent owned foreign companies at equity in net assets. Amounts related to foreign subsidiaries and fifty per cent owned foreign companies have been converted into U.S. dollars at applicable rates of exchange. In consolidation, all significant intercompany transactions and unrealized amounts have been eliminated. Provision for U.S. income taxes on undistributed earnings of subsidiaries and fifty per cent owned companies is made only to the extent of tax currently payable.

A summary of the net assets of consolidated foreign subsidiaries (principally European) included in the accompanying financial statements is as follows:

	1969	1968
Net current assets	$19,213,000	$14,123,000
Net fixed assets	31,325,000	31,193,000
Net other noncurrent assets (liabilities)	(2,333,000)	2,740,000
	$48,205,000	$48,056,000

Consolidated retained earnings also include $1,687,000 and $1,-366,000 of undistributed earnings of unconsolidated fifty per cent owned foreign companies at December 31, 1969 and 1968, respectively. Consolidated results of operations for 1969 and 1968 include respectively, $4,700,000 and $2,100,000 of income attributable to foreign sources.

KIMBERLY-CLARK CORPORATION

	(thousands of dollars)
Investments in companies approximately 50% owned	$28,076

Notes to Financial Statements

Basis of Consolidation—The consolidated financial statements include the accounts of significant domestic and foreign subsidiaries more than 50% owned and controlled by Kimberly-Clark Corporation ("the Corporation")—such subsidiaries are referred to in these Notes as "consolidated subsidiaries." In addition, the Corporation uses the equity method of accounting with respect to foreign and domestic companies which are not consolidated but which are approximately 50% owned—such companies are referred to in these

Notes as "equity companies." The consolidated financial statements include in consolidated net income the Corporation's share of the net income of equity companies, and the Corporation's investments in such companies are stated on the equity basis. The Corporation's investments in companies which are neither consolidated subsidiaries nor equity companies are stated at cost and income from these companies is included in consolidated net income only as dividends are received. Long-term advances to equity and other companies are included in investments. The financial statements of companies outside the United States have been translated at appropriate rates of exchange.

As of December 31, 1969, and for the year then ended, a financial summary of consolidated foreign subsidiaries is as follows:

	(thousands of dollars)		
	Total Assets	Total Sales	Net Income After Minority Interests
Canada	$ 60,367	$ 50,178	$2,027
Europe	66,398	76,882	2,027
Latin America	51,379	34,444	1,600
Far East	10,225	8,491	475
Total	$188,369	$169,995	$6,129
% to total consolidated	21	20	12

As of December 31, 1969, and for the year then ended, a financial summary of the Corporation's foreign equity companies is as follows:

	(thousands of dollars)
Cost of investments including advances	$11,262
Corporation's equity in net assets	28,076
Corporation's equity in net income	2,672

STUDEBAKER-WORTHINGTON, INC.

Other Assets:

Investments (Note 1):	
Equity in and advances to subsidiaries and 50% owned company, not consolidated	$14,601,951
Other, at cost	13,869,994
Notes receivable	4,525,782
Intangibles:	
Cost of acquisitions not assigned to tangible assets	6,862,011
Trademarks and patents, less amortization (1969—$581,306; 1968—$449,115)	2,437,247
Miscellaneous	1,693,753

Note 1: The accompanying consolidated statements include all significant domestic and international subsidiaries. All unconsolidated subsidiaries and the 50% owned company, Worthington-Simpson, Ltd., are included on the equity basis. The Company invested in 1969 $4,000,000 in Finserv Corp., a financial services subsidiary; the net income of this unconsolidated subsidiary for 1969 of $415,164 is included in "other income" in the Consolidated Statement of Income.

During 1969 the Company acquired all the outstanding stock of Worthington-Simpson, Ltd. not previously owned and subsequently agreed to transfer, at cost, 50% ownership of this company to The Weir Group Limited. In connection with this transaction, Weir has agreed to assume $13,750,000 to the 7¼% Deutsche mark debt incurred in acquiring Worthington-Simpson. Although the agreement requires formal approval of the Weir debenture stockholders, the transaction has been reflected in the consolidated balance sheet and accordingly, the investment and long-term debt have been reduced by the amount of the assumed debt.

The Company sold for cash and 157,673 shares of 6¾% cumulative convertible preferred stock of White Motor Corporation the business of Alco Engine, Inc. and Alco Products Services, Inc., (plan for disposition announced in 1968). As a result of this sale, $7,500,000 of the 5¼% notes due 1970-1985 was prepaid as required by such loan agreement.

Late in 1969 and early in 1970 the Company, through a tender offer, reacquired 1,433,000 shares of its common stock in exchange for 1,791,000 shares of STP Corporation common stock, reducing the Company's investment in STP to approximately 56%. This transaction is reflected in the consolidated financial statements as of December 31, 1969.

UNION CARBIDE CORPORATION

Investments	Thousands of Dollars
50% Owned Companies	
Equity in Net Assets	$44,470
Advances	2,919
Other (At Cost or Less)	12,400
	$59,789

Notes to Financial Statements

Note 1: *Principles of Consolidation*—All significant subsidiaries worldwide are consolidated. Investments in significant 50 per cent owned companies are carried at equity in net assets. All other companies are shown as other investments.

Accounts carried in foreign currencies have been translated to United States dollars at appropriate exchange rates. At December 31, 1969, the Corporation's equity in net assets of consolidated subsidiaries outside the United States was $442,698,000.

The following is a financial summary of the Corporation's significant 50 per cent owned companies:

	1969	1968
Total Assets	$213,189	$195,347
Less: Total Liabilities	124,249	114,372
Net Assets	88,940	80,975
Less: 50% Interests	44,470	40,487
UCC Equity in Net Assets	$ 44,470	$ 40,488
Consisting of:		
UCC Investment	$ 23,324	$ 22,671
Excess of UCC Equity Over Investment	21,146	17,817
Net Sales to Customers	$181,282	$188,559
Net Sales to UCC and its Consolidated Subsidiaries	8,722	9,628
Total Net Sales	$190,004	$198,187
Net Income	$ 9,190	$ 2,101
UCC Equity in Net Income	$ 4,595	$ 1,051

50% Owned Companies—Cost Plus Equity In Accumulated Earnings

BARTON DISTILLING COMPANY

Other Assets and Prepaid Expenses:	
Investments in and advances to foreign affiliates (Note 1)	$1,911,108
Non-current receivable, prepaid expenses and deferred charges	712,896
Total	$2,624,004

Note 1: *Principles of Consolidation*—The consolidated financial statements include the Canadian and all domestic subsidiaries (which are wholly owned). Investments in other foreign affiliates, owned 50% or more, are shown at the Company's cost plus charges. No provision has been made for federal income taxes attributable to undistributed earnings since such earnings will be taxable as dividends, if and when received.

SCOVILL MANUFACTURING COMPANY

Investments and Other Assets:

Investments in and advances to foreign subsidiaries not consolidated and fifty per cent owned foreign companies (Note A)	$5,537,000
Insurance deposits and sundry other assets	3,030,000
	$8,567,000

Note A (in part): The consolidated financial statements include the accounts of all subsidiaries of the Company except for three foreign subsidiaries which are not significant. At December 28, 1969, the investments in the fifty percent owned companies have been stated at cost plus equity in net earnings since acquisition. Prior to 1969, such investments were carried at cost, and earnings of these companies were included in the consolidated financial statements only to the extent received as dividends. The effect of

this change was to increase net income for 1969 by $296,000. The difference between the carrying amounts and the Company's equity in the net assets of unconsolidated subsidiaries and fifty percent owned companies is not significant.

TENNECO INC.

Investments (Note 1):	
Majority-owned unconsolidated subsidiaries and 50% owned companies	$ 93,969,569
Affiliated companies, at cost	56,621,076
Long-term receivables	56,948,958
Other, at cost	21,762,060
	$229,301,663

Note 1 (in part): *Principles of Consolidation*—The consolidated financial statements of Tenneco Inc. include all majority-owned subsidiaries other than inactive and finance subsidiaries.

Unconsolidated majority-owned subsidiaries and 50% owned companies are carried at cost plus undistributed earnings since date of acquisition. Such undistributed earnings amounted to $44,717,192 and $37,819,106 at December 31, 1969 and 1968, respectively.

50% Owned Companies—Cost or Less than Cost

CATERPILLAR TRACTOR CO.

	(In millions of dollars)
Investments in affiliated companies (Note 3)	$23.9

Note 3 (in part): *Unconsolidated Subsidiaries and Affiliated Companies*—The "investments in affiliated companies," consisting of 50% equities in Caterpillar Mitsubishi Ltd., Japan ($23.3 million) and in Tractor Engineers Limited, India ($0.6 million), are carried at cost. The other 50% owners of these two companies are Mitsubishi Heavy Industries Ltd., Tokyo, Japan, and Larsen & Toubro Limited, Bombay, India, respectively.

Caterpillar Mitsubishi was organized in 1963, and normal start-up and preoperating expenses were, as anticipated, incurred in the early years of its operation. It has, however, operated at a profit for the past two years. For its fiscal year ended September 30, 1969, Caterpillar Mitsubishi reported pretax profit equivalent to $5.3 million, which reduced its accumulated deficit to $17.9 million. The excess of costs and expenses over income during the start-up and preoperating period is being carried forward to reduce profits otherwise subject to income tax.

At December 31, 1969, $27.1 million of bank loans to Caterpillar Mitsubishi and Tractor Engineers were guaranteed by Caterpillar Overseas S.A. and, partially, by Caterpillar Tractor Co.

W. R. GRACE & CO.

Other Assets—Note 1	(In Thousands)
Investment in Marine Midland Banks, Inc.	$ 30,515
Investments in and advances to 50%-owned companies, at cost	8,657
Miscellaneous investments, at cost or less, and other assets	70,571
Goodwill, less amortization of $6,196,000 (1968—$6,729,000)	42,422
Total Other Assets	$152,165

Note 1 (in part): *Principles of Consolidation*—The consolidated financial statements include the accounts of W. R. Grace & Co. and all majority owned and controlled domestic and foreign subsidiary companies. The assets and liabilities of the Company's foreign subsidiaries have been translated into United States dollars at year-end rates of exchange, except that fixed assets (and related depreciation) have been translated at rates prevailing at dates of acquisition. Income and expenses (other than depreciation) have been translated at rates prevailing during the year.

The Company's investment in Marine Midland Banks, Inc. (277,406 shares of $5.50 Convertible Preferred Stock) is carried at the value established when the stock was received which is presently in excess of its over-the-counter market value.

The Company's equity in the aggregate net earnings of its principal 50%-owned companies (Gulf & South American Steamship Co., Inc. and Productora de Papeles S.A.) for 1969 exceeded dividends received from those companies by $1,315,000. The Company's equity ($20,291,000) in the net assets as shown by the financial statements of those companies at December 31, 1969 exceeded the cost of its investments in the companies by $12,231,000.

THE DOW CHEMICAL COMPANY

Investments and Non-Current Receivables	
Carried at equity in net assets—Wholly owned Swiss bank (Note A)	$ 29,488,403
Carried at cost, less reserves:	
Non-consolidated subsidiaries	562,104
Associated companies (Note B)	200,650,490
Notes, securities and other assets held for investment	106,201,737
Sundry	41,214,032
	$378,116,766

Note A (in part): *Principles of Consolidation*—The financial statements include all significant subsidiaries on a full consolidation basis, except for a wholly owned Swiss banking company which is accounted for on the equity basis. Accordingly, if the bank were consolidated, there would be no effect on consolidated net income and stockholders' equity as reported.

Note B: *Associated Companies*—The Company's equity at December 31, 1969, in the combined net assets of associated companies (50% owned), as shown by their unaudited financial statements, exceeded its investment at cost (less reserve) by approximately $23,100,000. The Company's equity in the combined net income of these companies was approximately $3,900,000 and $3,300,000 for the years ended December 31, 1969 and 1968, respectively.

NATIONAL LEAD COMPANY

Investments:	
Lake View Trust and Savings Bank	$41,535,000
Unconsolidated subsidiaries	10,645,000
Associated companies (Note 4) and other investments, at cost less reserve	15,944,000

Note 4: *Associated Companies*—The Company's investments in its associated 50 percent owned companies are carried at cost. The Company's equity in the underlying net assets of these units exceeded its investments by $18,666,000 at December 31, 1969 and $19,113,000 at December 31, 1968.

VEEDER INDUSTRIES INC.

Investments in and advances to unconsolidated associate companies—at cost, less reserves —Note D	$1,333,177

Note D: *Unconsolidated Associate Companies*—The Company's investments in and advances to its unconsolidated Brazilian subsidiary and a 50% owned West German company are stated at cost less reserves. The Company's equity in their net assets exceeded the carrying amount of the investments by $278,207. The Company's share of the combined net income of the two companies amounted to $303,629 for 1969, and dividends paid to the parent company were $50,000. Reserves of $551,402 have been provided against the Company's investments in and advances to the two companies by charges against income in prior years. These reserves were reduced by $176,725 through credits to income during 1969.

50% Owned Companies—Other

U.S. PLYWOOD-CHAMPION PAPERS INC.

Investments and Other Assets:	(in thousands of dollars)
Equity in and advances to real estate ventures	$31,742
Investments in unconsolidated foreign subsidiaries	19,303
Other investments, at cost, and long-term receivables	12,562
Other assets	30,761
	$94,368

Notes to Financial Statements

Note 1: *Principles of Consolidation*—The Company follows the practice of consolidating all domestic and Canadian subsidiaries. Unconsolidated foreign subsidiaries, other than the Brazilian subsidiary, are reflected in the financial statements on the equity basis.

Investments in 50% owned companies and joint ventures are recorded at the lower of the Company's equity in their net assets or estimated net realizable value.

During the year the Company issued 3,243,860 shares of its common stock for the assets and business or in exchange for all of the outstanding capital stock of Trend Industries, Inc. and another company. These transactions were recorded as poolings of interests and accordingly the financial statements include the accounts and operations of these companies.

Minority Owned Companies—Cost or Less than Cost

ALLEGHENY LUDLUM STEEL CORPORATION

Investments (Note 3)	$8,182,559

Note 3: *Investments*—Included herein are:

Investments in unconsolidated affiliated companies, at cost, less reserves of $1,400,000	$6,464,679
Miscellaneous investments, at cost	1,717,880
	$8,182,559

The Corporation's equity in unconsolidated affiliated companies exceeded the carrying values by approximately $15,719,000 at December 31, 1969 and the Corporation's share of the net earnings for the year then ended amounted to approximately $526,000. During the year dividends of $68,200 were received from these companies.

LYKES-YOUNGSTOWN CORPORATION

Investments and Advances (Note 6)	
Unconsolidated subsidiaries, at equity therein	$ 26,919,000
Affiliated companies, less than 50% owned, at cost	80,240,000
	$107,159,000

Note 6: *Commitments and Contingencies*—Lykes is committed to purchase three vessels at an approximate net cost of $46,600,000. At December 31, 1969, construction in progress on these contracts amounted to $3,171,000.

Youngstown has minority interests in several ore mining projects and is entitled to purchase its ownership proportion of ore produced. In each case, Youngstown is committed to pay its proportionate share of costs, either directly or as a part of the product price, with provision that the amounts included in costs for amortization, depletion, depreciation and obsolescence in any year shall be not less than the payments on the long-term debt of the respective projects. Principal payments attributable to Youngstown's participation in the projects will not exceed approximately $8,900,000 annually over about 20 years.

Youngstown has purchase commitments for other capital expenditures at December 31, 1969 aggregating approximately $16,000,000.

MARTIN MARIETTA CORPORATION

Investments	$58,443,667

Financial Review

Investments—Investments are summarized below:

	1969	1968
Harvey Aluminum (Incorporated) *consolidated in 1969*	$ —	$106,667,000
The Bunker-Ramo Corporation	35,161,000	31,481,000
The Slick Corporation	5,440,000	5,440,000
Domestic nonconsolidated subsidiaries and other investments	3,074,000	7,359,000
Foreign investments in joint-venture corporations	11,366,000	—
Foreign nonconsolidated subsidiaries and other investments	3,403,000	3,650,000
Total investments	$58,444,000	$154,597,000

As of December 31, 1969, Martin Marietta owned 5,839,410 shares (32%) of the common stock of The Bunker-Ramo Corporation carried at cost ($41,763,000) less an investment valuation allowance equivalent to the applicable share of net losses since acquisition. Other income included $3,680,000 for 1969 and $2,880,000 for 1968, comprised of the equity of Martin Marietta in the net earnings of Bunker-Ramo, which resulted in a reduction in the investment valuation allowance. No dividends were received from this source during the year.

Investments also included 743,000 shares of common stock carried at cost representing about 22 per cent interest in The Slick Corporation.

The aggregate value of the investments in Bunker-Ramo and Slick was approximately $96,068,000 based upon the market prices of these securities at year-end.

Domestic nonconsolidated subsidiaries and other investments included subsidiaries carried at equity and other companies carried at cost. Foreign investments in joint-venture corporations were investments of Harvey Aluminum as follows: a 20 per cent interest at a cost of $4,015,000 in Halco (Mining) Inc.; a joint-venture with the Republic of Guinea to develop bauxite reserves in Guinea; and a 49 per cent interest at a cost of $7,351,000 in A/S Alnor, formed in conjunction with Norwegian interests to establish and operate an aluminum reduction and fabrication facility in Norway.

Foreign nonconsolidated subsidiaries and other investments were carried at cost, which was less than the equity in these enterprises. Dividends from foreign nonconsolidated subsidiaries and other investments included in other income in 1969 amounted to $376,000, which was less than the applicable earnings.

THE GRAND UNION COMPANY

Investment in affiliated company, at cost (Note 1)	$2,926,235

Note 1: *Principles of Consolidation*—The consolidated financial statement include the accounts of all wholly owned subsidiaries At March 1, 1969, the company's investment in the affiliated company represented approximately 29% of the outstanding common stock of Eastern Shopping Centers, Inc. Eastern acquires, develops and operates shopping centers. The company's equity in the net assets of Eastern, based upon the most recent audited financial statements, amounted to approximately $3,166,000.

SWIFT & COMPANY

	1969	1968
Investments and Other Assets:		
Globe Life Company	$ 8,721,000	$ 7,661,000
Affiliated companies—Note 4	13,376,000	14,459,000
Long-term receivables	3,869,000	4,514,000
Deferred income taxes	14,198,000	19,639,000
Miscellaneous	5,873,000	7,269,000
Total investments and other assets	$46,037,000	$53,542,000

Note 4: *Affiliated Companies*—The Company disposed of its interests in three 50% owned companies during the year. The excess ($1,202,000) of sales proceeds over the carrying value of these investments has been included in other revenues.

The Company's equity in the net assets of its other affiliated companies, 25% to 50% owned, exceeded its investment, carried at cost less allowance for loss, by $3,124,000 at November 1, 1969. The Company's equity in the net earnings of these companies was $1,564,000 (1968—$1,969,000), and dividends of $1,892,000 (1968—$326,000) were received.

Minority Owned Companies—Other

ST. REGIS PAPER COMPANY

Investments:	
Marketable securities at cost (quoted market value of $7,110,000)	$ 6,185,000
Investments in non-consolidated affiliates (Note 2)	84,897,000
Total investments	$91,082,000

Note 2: *Affiliated Companies*—Investments in securities of and advances to subsidiaries not consolidated (except for subsidiaries in Argentina and Brazil), 50 percent owned companies, and joint ventures are stated at cost plus equity in undistributed earnings

since dates of acquisition, and St. Regis' equity in the net earnings of such companies is included in consolidated net earnings. All other investments and advances are carried at cost.

In 1969 the company changed its method of accounting for its investment in Southland Paper Mills, Inc. (39 percent owned), from the cost to the equity method. Under the new method the investment is carried at cost, plus the equity in undistributed earnings since dates of acquisition, and less amortization over a 40-year period of the excess of cost over the equity in Southland's net assets at dates of acquisition. As a result of the change, net earnings of the company for 1969 and 1968 and retained earnings at January 1, 1969 and 1968, were increased as follows:

	1969	1968
Net earnings	$1,887,000	$1,309,000
Retained earnings at January 1	$3,346,000	$2,037,000

Financial statements previously published for 1968 have been restated to reflect the change.

Investments in and advances to subsidiaries not consolidated, 50 percent owned companies, and other associated companies (less than 50 percent owned) aggregated $84,897,000 at December 31, 1969, of which $65,007,000 related to companies whose investments are stated at cost plus equity in undistributed earnings (adjusted for Southland Paper Mills, Inc., by amortization of excess cost as described in the preceding paragraph) since dates of acquisition ($50,140,000 of cost plus $14,867,000 of equity), and $19,890,000 relates to companies whose investments are carried at cost.

The equity in the net earnings of companies whose investments are stated at cost plus equity in undistributed earnings (as adjusted) since dates of acquisition exceeded the dividends received from such companies by $4,062,000 in 1969 and $2,271,000 in 1968. The equity in net earnings of companies whose investments are carried at cost exceeded the dividends received from such companies by $544,000 in 1969 and $827,000 in 1968.

TEXACO INC.

Investments and Advances (Notes 1 and 2) $603,527,000

Note 1: Principles of Consolidation—The accounts of Texaco Inc. and subsidiary companies owned more than 50% are included in the consolidated financial statements. Intercompany balance sheet accounts, sales, and profits are eliminated. Items recorded in foreign currencies are expressed in U.S. dollars at the appropriate rates of exchange, and gains and losses arising as a result of foreign currency conversions are reflected in income.

Effective January 1, 1969, the accounts of subsidiary companies operating in Brazil, which had been excluded from consolidation since 1953, were included in the consolidation. The financial statements for 1968 have been restated to a comparable basis with an insignificant effect on net income and an increase of $13,967,000 in retained earnings as of January 1, 1968.

Note 2: Investments and Advances—

	1969	1968
Nonsubsidiary companies (owned 50% or less)		
Western Hemisphere	$ 66,903,000	$ 65,968,000
Eastern Hemisphere	454,295,000	407,954,000
	$521,198,000	$473,922,000
Less reserve	26,800,000	26,800,000
	$494,398,000	$447,122,000
Miscellaneous investments, long-term receivables, etc., less reserve	$109,129,000	$103,853,000
Total investments and advances	$603,527,000	$550,975,000

Effective January 1, 1969, the Company adopted the equity method of accounting for its investments in companies owned 50%, and in the Arabian American Oil Company, which is owned 30%. Under this method, equity in the earnings or losses of these nonsubsidiary companies is reflected currently in the Company's earnings rather than when realized through dividends. The Company's investments in these companies have been adjusted to reflect its equity in the book value of the underlying net assets of the companies. The financial statements for 1968 have been restated to a comparable basis with a reduction of $16,032,000 in net income from that previously reported and an increase in consolidated retained earnings at January 1, 1968, of $136,018,000, such amount representing the Company's equity in the net assets of these companies over the cost of the Company's investment at that date.

Investments in other nonsubsidiary companies are carried at cost, and amounted to $74,619,000 at December 31, 1969 ,and $71,707,000 at December 31, 1968. The Company's equity in the estimated net earnings of these companies exceeded dividends received from such companies in 1969 and 1968 by approximately $2,000,000 and $6,000,000 respectively. Equity in the underlying net assets of nonsubsidiary companies carried at cost exceeded the carrying value of the investment in such companies by approximately $26,000,000 and $23,000,000 as of December 31, 1969, and December 31, 1968, respectively.

Separate financial statements for certain 50%-owned nonsubsidiary companies are included in reports filed with the Securities and Exchange Commission.

STANDARD OIL COMPANY OF CALIFORNIA

Investments and Advances	
Affiliated companies approximately 50% or less owned:	
Operating in foreign countries	$467,007,000
Operating in the United States	13,803,000
Other, at or below cost	15,991,000

Notes to Financial Statements

Principles of Consolidation—The accounts of all subsidiary companies over 50% owned are included in the consolidated financial statements.

Consolidated net income during 1969 was derived approximately $262,000,000 from the Western Hemisphere and $192,000,000 from the Eastern Hemisphere.

Investments in and advances to affiliated companies approximately 50% or less owned (principally companies in the Caltex Group and Arabian American Oil Company) are stated in the balance sheet at the Company's equity in the book value of the underlying net assets. The Company's share of the net profits and losses of these companies is included in the consolidated statement of income. Dividends from these companies amounted to $218,791,000 in 1969 and $211,778,000 in 1968. Earned surplus at December 31, 1969 includes $137,926,000 representing the Company's equity in surplus of these companies.

No provision has been made for foreign and domestic taxes which may be payable on future distributions from surplus of subsidiaries and of affiliated companies approximately 50% or less owned.

STANDARD OIL COMPANY (New Jersey)

Investments and advances $988,874,000

Notes to Financial Statements

Principles of Consolidation—The consolidated financial statements include the accounts of those subsidiaries owned directly or indirectly more than 50 per cent by the company.

Investments in the Arabian American Oil Company and certain other less than majority-owned companies in which a significant ownership interest is held, and where these companies are directly involved in oil, gas, or chemical operations, are carried at the company's equity in the underlying net book assets. Investments in all other less than majority-owned companies are carried at cost or less.

UNION OIL COMPANY OF CALIFORNIA

Investment in joint venture companies $24,303,000

Supplement and Notes to Consolidated Financial Statements

Accounting Policies (in part): Investments in certain joint venture companies owned 50% or less, which were formed to more fully utilize joint resources and in which an active role in management is taken, are stated at cost plus the company's equity in undistributed net earnings. Income taxes estimated to be payable when such earnings are distributed are included in deferred taxes. The composition of investment in these joint venture companies is:

	1969	1968
Equity in undistributed earnings		
Amount included in consolidated retained earnings	$13,813,000	$14,200,000
Amount included in deferred income taxes	1,502,000	1,548,000
	15,315,000	15,748,000
Cost of investments	8,988,000	6,277,000
	$24,303,000	$22,025,000

INVESTMENTS

Table 2-28 shows that 257 companies presented captions for investments other than investments in nonconsolidated subsidiaries and affiliated companies. If the investment account was not combined with other items on the balance sheet, the terminology most often used was *investments* or *other investments.*

TABLE 2-28: INVESTMENTS

Number of Presentations	1969	1968
Basis of valuation set forth:		
Investments (*Other investments,* etc.) at cost	52	38
Investments described (e.g. real estate, securities, etc.)	33	30
Investments carried at cost, but market value is disclosed parenthetically	22	31
Investments carried at cost or below cost (less reserve)	33	30
Investments combined with other items, at cost	19	19
Other	6	1
Subtotal	165	149
Basis of valuation not set forth:		
Investments, Other Investments, etc.	29	54
Investments described	13	14
Investments combined with other items on balance sheet	87	74
Subtotal	129	142
Total	294	291
Number of Companies		
Presenting a caption for investments	257	263
Not presenting such a caption	343	337
Total	600	600

Examples

Investments (Sundry Investments, etc.) at Cost

AMERICAN BRANDS, INC.

	(*In thousands*)
Investments, at cost	$13,224

THE ARUNDEL CORPORATION

Other Assets:	
Investments—at cost	$148,390
Miscellaneous	100,606
	$248,996

ENDICOTT JOHNSON CORPORATION

Other Assets:	
Excess of cost of investment over net tangible assets acquired	$2,129,630
Investments—at cost	369,491
Deferred costs of retirement plan benefits	1,487,117
Miscellaneous — principally property held for sale (net) and receivables from sales of property	953,327
	$4,939,565

KOPPERS COMPANY, INC.

Investments:	
Non-consolidated subsidiary and 50% owned companies	$14,481,721
Other investments, at cost	4,219,909

Investments Described, Valued at Cost

ASSOCIATED PRODUCTS, INC.

Investments and Other Assets:	
Unconsolidated foreign subsidiaries, at equity in underlying net assets	$ 834,937
Other investments (Note 2)	90,000
Loans receivable	18,950
Advances secured by life insurance policies	201,573
Other noncurrent assets	5,891
Total investments and other assets	$1,151,351

Note 2: Other Investment—The company carries at cost an investment of $90,000 in the preferred stock of a corporation whose stock is not traded in any market. Its value is wholly dependent upon the collectibility of the corporation's principal asset, a receivable from the estate of its deceased controlling common stockholder. Dividends ranging between $1,600 to $2,000 have been received on the stock in each of the past five years. No provision has been made for possible loss on this investment.

GENERAL MOTORS CORPORATION

Investments and Miscellaneous Assets:	
Investments in subsidiary companies not consolidated—at equity in net assets	$ 932,251,336
United States Government securities maturing 1972—at cost	39,880,108
Other investments and miscellaneous assets—at cost (less allowances)	68,790,009
Total Investments and Miscellaneous Assets	$1,040,921,453

GIANT FOOD INC.

Investments—At Cost:	
Real estate held for future development	$1,365,754
Common stock—Giant Food Properties, Inc. (215,000 shares at current market—$1,290,000)	752,500
Other	38,277
Total investments	$2,156,531

INTERNATIONAL PAPER COMPANY

Capital Assets:	
Plants and properties	$1,974,084,000
Less:	
Reserves for depreciation	996,516,000
Net plants and properties	977,568,000
Woodlands—net	153,762,000
Investments and advances (Note 5)	82,155,000
	$1,213,485,000

Note 5: Investments and Advances—

Securities of and advances to non-consolidated affiliated companies, at cost	$44,934,000
U.S. Government and municipal securities, at cost which approximates market	1,754,000
Other securities, at cost which approximates market	35,467,000
Total	$82,155,000

GWALTNEY INCORPORATED

Investments—unlisted stock—at cost	$9,000

Investment Valued at Cost, but Market Value Also Shown

AMERICAN HOME PRODUCTS CORPORATION

Investments (Note 4)	$7,831,969

Note 4: *Investments* at December 31, 1969 comprise $4,063,679 at cost (at December 31, 1969 market quotations $20,573,000), and $3,768,290 representing principally interests in foreign enterprises carried at cost plus equity in net earnings since acquisition.

LIBBEY-OWENS-FORD COMPANY

Investments and Other Assets:	
Investments in marketable securities, at cost — market value $32,700,000 and $44,800,000, respectively	$11,745,130
Investments in and advances to affiliates	11,178,776
Other assets, receivables, and deposits	3,068,920
	$25,992,826

MALONE & HYDE, INC.

Investments and Long-Term Receivables	
Receivables, Less Allowance for Doubtful Accounts ($301,488 in 1969)	$2,177,959
Cash Value of Life Insurance	238,493
Investment in Other Securities, At Cost (Market Value $336,000 at June 28, 1969)	277,105
Total Investments and Long-Term Receivables	$2,963,557

RAYBESTOS-MANHATTAN, INC.

Investments	
Stock—Cassiar Asbestos Corporation Limited—at cost (quoted market value, $9,753,892 for 1969 and $7,467,781 for 1968)	$3,019,140
Stock and advances—Raybestos-Belaco Ltd. at cost	847,534
Other investments	266,430
	$4,133,104

THE SUPERIOR OIL COMPANY

Investments	
Affiliated companies, at cost	
Canadian Superior Oil Ltd. (owned 53.6%)	$ 47,343,363
McIntyre Porcupine Mines Limited (owned 35.6%)	79,439,157
Marketable securities, at cost	
Texaco Inc. (3,864,072 shares of common stock, market price approximately $118,000,000 at December 31, 1969)	64,287,796
Other corporate securities (market price approximately $19,000,000 at December 31, 1969)	16,339,490
	$207,409,806

Investments Valued at Cost or Below Cost

AMERICAN SMELTING AND REFINING COMPANY

Investments—Other (at cost or loss) (Note 10) (page 27)	$50,465,632

Page 27

Investments—Other

	Owned			
	Shares or Amount	Per cent	Book Value (cost or less)	Market Value(a)
General Cable Corporation (Note 10)	4,848,590	35.9	$ 4,223,173	$92,729,300
Hecla Mining Company	66,060	1.1	965,825	1,915,700
Kennecott Copper Corporation	108,954	.3	1,163,600	5,093,600
Phelps Dodge Corporation	154,200	.8	5,524,860	7,748,600
Revere Copper and Brass Incorporated:				
Common Stock	1,876,296	33.5	8,511,457	44,796,600
5½% Convertible Subordinated Debentures due 1992	$22,763,000		22,838,557	16,901,500
United Park City Mines Company	549,727	12.5	2,068,071	2,267,600
Miscellaneous			5,170,089	
Total Investments—Other			$50,465,632	

(a) Amounts shown are based on December 31, 1969 quotations on the New York Stock Exchange.

Notes to Financial Statements

Note 10: *Subsequent Events*—On January 27, 1970 the Board of Directors approved the sale of 2,028,000 shares of common stock of General Cable Corporation to British Insulated Callender's Cables limited for cash at $24. per share, or a total of $48,672,000. The agreement is subject to approval by stockholders of BICC and to certain Governmental clearances in the United States and Great Britain. The agreement further provides that Asarco will make a broad disposition of the balance of its holdings of General Cable stock.

AMSTED INDUSTRIES INCORPORATED

Investments and Miscellaneous Securities at cost, less reserve of $1,453,000 at September 30, 1969 and $1,624,000 at September 30, 1968	$3,465,577

ARDEN-MAYFAIR, INC.

Investments, at cost (less valuation reserve of $100,000)	$4,019,005

HERCULES INCORPORATED

Investments (At cost or less)	
Foreign subsidiaries not consolidated	$16,094,124
Associated companies	33,054,870
Other	6,147,710
Total Investments	$55,296,704

OLIN CORPORATION

Investments and Advances:	
Affiliated companies 50% owned, at equity	$28,524,000
Other, at cost or less	62,144,000
	$90,668,000

"Investments," "Other Investments," Etc.

MARHOEFER PACKING COMPANY, INC.
Other Assets (Partially Pledged):

Cash surrender value of life insurance	$251,931
Miscellaneous investments	2,225
	$254,156

MIDAS-INTERNATIONAL CORPORATION
Other Assets:

Cash Value of Life Insurance, Less Policy Loans of $438,680 (1969)	$ 111,182
Investments	30,070
Prepaid Expenses, Deposits and Deferred Charges	736,937
Deferred Federal Income Tax	1,100,000
	$1,978,189

MIDWEST RUBBER RECLAIMING COMPANY
Other Assets:

Excess of investment in subsidiaries over net assets acquired at date of acquisition	$897,227
Miscellaneous investments	17,816
Other Assets	$915,043

OTIS ELEVATOR COMPANY

	(*Thousands of dollars*)
Long term investments	$6,873

TECUMSEH PRODUCTS COMPANY
Other Assets:

Other investments	$ 430,319
Deferred charges (property taxes, unamortized patents, prepaid insurance, etc.)	1,207,762

Investments Described

ATLAS CHEMICAL INDUSTRIES, INC.

Investments	(*thousands of dollars*)
50%-Owned Companies	$ 7,417
Marketable Securities	6,250
Real Estate Held for Investment and Development	670
Miscellaneous, at cost	712
	$15,049

METRO-GOLDWYN-MAYER INC.

Investments and Other Assets:	(*in thousands*)
Investments in nonsubsidiaries, at cost	$ 739
Long-term receivables and other assets	6,708
Land held for investment	8,873
	$16,320

Investments Combined with Other Item(s) on Balance Sheet

ARVIN INDUSTRIES, INC.
Other Assets:

Special financing accounts receivable	$ 77,176
Investments and sundry receivables	397,503
	$474,679

AVCO CORPORATION

	(*thousands of dollars*)
Miscellaneous investments and other assets	$53,398

BELDEN CORPORATION
Other Assets:

Investments and deferred charges	$ 489,456
Consideration paid in excess of net equity acquired	919,924
	$1,409,380

HYGRADE FOOD PRODUCTS CORPORATION

Mortgages, notes receivable and other investments	$437,716

LONE STAR CEMENT CORPORATION

Special Funds and Other Investments	$20,948,798

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Investments and Long-Term Receivables (Note 3)	$47,514,000

Notes to Financial Statements

Note 3: *Investments and Long-Term Receivables*—The aggregate investment in 50-per-cent-owned affiliates at December 31, 1969 is carried at $27,961,000 representing the cost thereof adjusted for accumulated net earnings (less dividends) and losses. The Company and the other stockholders of certain of the affiliates have agreements with the various lenders of the long-term debt of such affiliates pursuant to which the stockholders agree to cause these affiliates to maintain working capital at specified levels. The maximum amount the Company could contingently become obligated to pay under these agreements, should all such affiliates default and assuming the other stockholders make payments required under certain mutual contribution agreements, is estimated at $30,300,000 at December 31, 1969.

The other investments and long-term receivables of $19,553,000, carried at cost less reserves for estimated losses, include the long-term portion of $10,697,000 of non-interest-bearing notes, due in equal annual installments on January 1, 1970 to 1975, received in connection with the sale in 1965 of the aluminum fabricating division.

NONCURRENT RECEIVABLES

Chapter 3, Section A of *Accounting Research Bulletin 43,* in discussing the nature of current assets, makes the following statements relative to accounts receivable:

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 ac-

TABLE 2-29: NONCURRENT RECEIVABLES

Terminology Used*	1969
A: Notes Receivable	43
B: Accounts Receivable, or Receivables	15
C: Long-Term Receivables	31
D: Notes and accounts receivable combined	18
E: Due from employees	9
Sundry captions	30
F: Caption combined with other investments, deposits, other assets, etc.	126
Total	272
Number of Companies	
Presenting noncurrent receivables	240
Not presenting noncurrent receivables	360
Total	600

*Refer to Company Appendix Section—A: 10, 42, 160, 225, 336, 642; B: 73, 74, 122, 407, 531, 668; C: 165, 245, 418; D: 330, 469, 555; E: 524, 526, 628; F: 339, 398, 429, 459, 530, 570.

ceptances receivable; (d) receivables from officers, employees, affiliates, and others, if collectible in the ordinary course of business within a year; (e) installment 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 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 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.

Examples of balance sheet captions used to describe noncurrent receivables follow.

Notes Receivable

CANNON MILLS COMPANY
Other Receivables and Investments:
Notes receivable $813,499

DRAVO CORPORATION
Other Assets:
Notes receivable—trade, due after one year . . $837,984

GENERAL REFRACTORIES COMPANY
Investments Including Advances:
Notes receivable, less current maturities . . $1,539,409

Accounts Receivable (Receivables)

CUMMINS ENGINE COMPANY, INC.
Investments and Other Assets:
Receivables due beyond one year, etc. $7,294,615

INTERNATIONAL PAPER COMPANY
Other Assets and Deferred Charges:
Receivables—not current $26,292,000

MALONE & HYDE, INC.
Investments and Long-Term Receivables:
Receivables, Less Allowance for Doubtful Accounts ($301,488 in 1969) $2,177,959

Long-Term Receivables

BEMIS COMPANY, INC.
Other Assets:
Long-term receivables $2,886,428

STANDARD OIL COMPANY OF CALIFORNIA
Long-Term Receivables, Less Reserve $80,389,000

WARD FOODS, INC.
Long-Term Receivables $8,275,095

Notes and Accounts Receivable

ALLIED MILLS, INC.
Noncurrent portion of accounts and notes receivable $1,664,103

MAREMONT CORPORATION
Notes and accounts receivable due after one year (Note 2) $7,232,000

Note 2: Automotive Parts Rebuilding Assets—At December 31, 1968, the Company made a provision by means of an extraordinary

charge against income to reduce the assets of the automotive parts rebuilding business to estimated realizable value and to cover costs and losses incurred in the disposal of these assets.

On April 2, 1969, a substantial portion of these assets was sold for promissory notes payable between 1972 and 1984. These notes have a face value of approximately $5 million. The Company estimates that the 1968 consolidated statement of income includes approximately $12 million of sales and a pretax operating loss of $2.5 million applicable to these assets.

Due from Employees

BAYUK CIGARS INCORPORATED

Long-term note receivable from officer—Note 3 $281,000

Note 3: In 1967, the Company sold shares of common stock to an officer. The purchased shares are pledged as collateral to secure the note which is receivable in annual instalments of $16,500 from March 31, 1970 to March 31, 1976, with the balance due on March 31, 1977.

McCORMICK & COMPANY, INCORPORATED

Other Assets:

Receivables from employees, etc. (group life insurance pledged as collateral) $244,667

MIRRO ALUMINUM COMPANY

Receivable from Officers and Employees under Employees' Incentive Stock Option Plan $82,037

Other Noncurrent Receivables

ADDRESSOGRAPH MULTIGRAPH CORPORATION

Lease Contracts Receivable, due after one year, less unearned finance charges $12,306,000

BOISE CASCADE CORPORATION

Realty (Note 2)

Notes and contracts receivable, less reserves of $19,470,000 in 1969 ($25,912,000 due in 1970) $257,908,000

Note 2: *Realty*—Realty assets aggregating approximately $275,000,000 are pledged to secure realty notes and contracts payable of $167,000,000. Realty notes and contracts payable, of which $87,560,000 will become due in 1970, bear interest at an average rate of 8.4%.

It is customary in the real estate industry to finance operations on a project-by-project basis, reducing borrowings as properties are sold or as customer receivables are collected and to refinance with similar obligations when necessary. General indebtedness incurred to finance the Corporation's investments in subsidiaries engaged in realty operations are included in Long-term Debt. A wholly-owned subsidiary has filed a registration statement with the Securities and Exchange Commission for the issuance of debentures in the amount of $75,000,000, the proceeds of which will be used to purchase customers' notes and contracts from realty subsidiaries.

COLONIAL SAND & STONE CO., INC.

Other:

Mortgages receivable, less $50,000 in 1969 included in miscellaneous current assets $2,407,049

DETROIT STEEL CORPORATION

Other Assets:

Miscellaneous deposits and accounts $866,000

KELSEY-HAYES COMPANY

Investments and Other Assets:

Amounts due from sale of assets $1,675,492

THE UNITED STATES SHOE CORPORATION

Other Assets:

Installment receivables, less current portion included in current assets $3,904,634

Receivables Combined with Other Assets

AMERICAN METAL CLIMAX, INC.

Long-term receivables, loans, and charges $27,110,000

ARCHER DANIELS MIDLAND COMPANY

Investments and other assets (Note 4) $11,144,798

Notes to Financial Statements

Note 4: Investments and Other Assets—	1969	1968
Investments and advances in other corporations at cost:		
Foreign	$ 50,000	$ 482,522
Domestic	2,169,486	2,092,267
Notes receivable from sale of chemical business, less current portion	7,410,000	14,820,000
Other notes and accounts	1,797,252	1,738,975
	11,426,738	19,133,764
Less allowance for possible loss	281,940	376,567
Total	$11,144,798	$18,757,197

The consolidated financial statements at June 30, 1969, include the accounts of the parent company and all its majority-owned subsidiaries.

GENERAL MILLS, INC.

(*in thousands*)

Investments, instalment receivables and miscellaneous assets $39,137

GENESCO INC.

Investments and long-term receivables $15,367,000

REPUBLIC STEEL CORPORATION

Investments and Other Assets:

Miscellaneous investments and receivables $5,941,195

TOBIN PACKING CO., INC.

Mortgages, notes and other investments (at cost) $195,377

ADVANCES, DEPOSITS AND SEGREGATED CASH OR SECURITIES

Chapter 3, Section A of *Accounting Research Bulletin 43* states in part, "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." This concept of current assets excludes "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

TABLE 2-30: ADVANCES, DEPOSITS, AND SEGREGATED CASH OR SECURITIES

Purpose*	1969	1968
A: Acquisition of plant and equipment, expansion, or improvements	30	38
B: Insurance, workmen's compensation, or employee benefits	7	8
C. Other purpose	20	17
D: Purpose not specified	64	65
	121	128
Number of Companies		
Indicating advances, deposits, or segregated cash or securities	104	113
Not indicating such account	496	487
	600	600

*Refer to Company Appendix Section—A: 272, 335, 372, 386, 566, 569; B: 173, 485, 692; C: 116, 184, 639; D: 36, 584, 603.

are segregated for the liquidation of long-term debts." The aforestated concept of current assets also excludes "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. . . . 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."

The different purposes for which advances and deposits were made and for which cash and/or securities were segregated in the balance sheet are summarized in Table 2-30. The following examples illustrate the descriptive captions used in the balance sheet presentation of the 104 survey companies which disclosed advances, deposits and segregated cash and/or securities.

Acquisition of Plant and Equipment, Expansion or Improvement

THE BUDD COMPANY

Investments and Other Assets:

Funds held for plant construction $13,334,836

EASCO CORPORATION

Construction funds held by trustee (Note 5) .. $3,777,000

Note 5: *Construction funds held by Trustee*—In March, 1968, the Company's subsidiary, Moore Drop Forging Company, entered into a lease and agreement with the City of Springdale, Arkansas which provide for the acquisition of land and the construction, equipping and leasing of a manufacturing facility in Springdale, using the proceeds from the sale of $7,000,000 of Industrial Development Revenue Bonds. The transaction is accounted for as a purchase, with the principal amount of the revenue bonds being reflected in the consolidated statement of financial condition as debt, and the unused proceeds as Construction Funds Held by Trustee (temporarily invested in interest bearing securities) until they are utilized for the costs of the facility. Initial operations commenced in this facility in early 1970.

MARLENE INDUSTRIES CORPORATION

Funds Held by Trustees—to be used for construction of plants and equipment (Notes 3 and 4) $1,942,975

Note 3: *Funds Held by Trustees*—The unexpended proceeds of four industrial revenue bond issues are restricted to the payment of costs of the new facilities. Construction of one of the plants (bond issue proceeds, $951,001) has not yet begun and the time in which to commence construction has been extended to April 1, 1971. The Trustees have invested portions of the funds in short-term United States Government obligations.

Note 4 (in part): *Long-Term Debt*—Capitalized Lease Obligations—Subsidiaries have leased eight plants and warehouses whose construction was financed by the sale of industrial revenue bonds by municipalities in Tennessee, South Carolina and Kentucky. The leases, which are guaranteed by the parent Company, provide for rental payments approximating $520,000 a year, sufficient to pay the bond interest at rates ranging from 5% to 8% per annum and to retire maturing bonds. The agreements, which expire at various times from 1983 to 1993, contain provisions for purchase and renewal options.

The transactions have been treated as purchases for both accounting and tax purposes and accordingly the construction costs are carried in the consolidated balance sheet as an asset and the outstanding principal amount of the bonds as a liability.

SIGNODE CORPORATION

Funds on Deposit for Construction (Note 1) .. $780,000

Note 1 (in part): *Long-Term Debt*—The lease obligation represents a 25-year lease agreement with a municipality relating to a new tool production plant and is considered the equivalent of an installment purchase for both book and tax purposes. The lease payments, ranging from $257,000 in 1970 to $405,000 in 1993, equal the principal and interest payments on Industrial Building Revenue Bonds issued by the municipality to provide funds for the new plant (unexpended bond proceeds held by a Trustee at December 31, 1969 amounted to $780,000). The company has an option to purchase the facilities on or after March 1, 1978, for an amount sufficient to retire the then outstanding bonds plus a nominal amount.

WESTVACO CORPORATION

Construction funds held by trustee (Note D) $25,146,000

Note D (in part): In 1967, the Company entered into a lease agreement with the City of Wickliffe, Kentucky, which issued $80,000,000 of Industrial Building Revenue Bonds, the proceeds from which were deposited with a trustee for the construction of a paper mill. Interest and the retirement of the principal of the bonds are to be paid by the trustee from rental payments made by the Company. During construction the unexpended portion of the bond proceeds has been invested temporarily in securities whose market value at October 31, 1969 approximated cost. Interest expense, less income earned on these investments, and other pre-operating expenses incurred during the construction period are deferred for financial accounting purposes. The mill is scheduled to be completed during 1970. The Company has an option to acquire the mill from the City beginning in 1977. The transaction has been treated as a purchase for both accounting and tax purposes.

Insurance, Workmen's Compensation, or Employee Benefits

HOMASOTE COMPANY

Other Assets:

Revocable deposit in re insurance—Note 2 .. $54,360

Note 2: *Revocable Deposit in re Insurance*—The Company's property, buildings and contents and business interruption values are insured with the Arkwright-Boston Insurance under a single policy. The present policy, dated July 1, 1969 was written for a three year period. The original "Insurance Deposit" amounted to $91,528 including a certain portion which remains continually on deposit. Based on Insurance Company's statement of "Unused Insurance Deposit" the unused portion at December 31, 1969 amounted to $85,334, distributed as follows:

Revocable Deposit in re Insurance	$54,360
Prepaid Insurance Expense	$30,974

The "Revocable Insurance Deposit" is collectible, upon cancellation of the insurance policy. Borrowings can be effected against the "Revocable Insurance Deposit" up to 100%.

SEARS INDUSTRIES, INC.

Securities (on deposit with the State of New York Workmen's Compensation Board)—at cost . . . $225,665

ST. JOSEPH LEAD COMPANY

Other Assets:

Cash and marketable securities—Fire Insurance Fund . . . $403,250

Other Purposes

FAS INTERNATIONAL, INC.

Other Assets:

Advances to salesmen and employees, etc. . . . $596,489

FREEPORT SULPHUR COMPANY

Investments—marketable securities segregated from current assets—equivalent to unliquidated balance of forward sales of proceeds from future production . . . $10,000,000

GRANITEVILLE COMPANY

Investments:

Restricted cash (Note 6) . . . $112,681

Note 6 (in part): *General Comment*—Pursuant to the terms of real estate sales made in 1968, $112,681 remained on deposit at January 3, 1970, in a restricted savings account, subject to withdrawal in future periods based on a percentage of principal payments to be made by the purchasers on their loans.

LYKES-YOUNGSTOWN CORPORATION

Statutory Reserve Funds, less vessel construction costs payable (Note 7) . . . $39,939,000

Note 7 (in part): *Agreement under the Merchant Marine Act, 1936, as Amended, and Statutory Reserve Funds*—The subsidy agreement requires deposits into Statutory Reserve Funds of (a) proceeds from disposition of vessels; (b) annual depreciation on vessels; (c) earnings of Fund investments; and (d) earnings from subsidized operations in excess of the allowable return of 10% of capital necessarily employed. The Funds balances aggregating $39,939,000 at December 31, 1969, include accrued deposits of $7,264,000, principally equivalent to vessel depreciation. The principal of the Funds is comprised of marketable securities at amortized cost, which approximates market.

MOTT'S SUPER MARKETS, INC.

Other Assets:

Deposit with Wakefern Food Corporation—Note 3 . . . $83,000

Note 3: *Securities*—Marketable securities are stated at cost (market $530,535). Stock of Wakefern Food Corporation, a cooperative which is owned by its members, is stated at cost. The cooperative requires its members to acquire stock in proportion to the amount of merchandise the members purchase. All of such stock is held in escrow. In addition, the Company has deposited with Wakefern Food Corporation $83,000 in connection with applications for proposed stores.

Purpose Not Specified

H. J. HEINZ COMPANY

Investments and Other Assets:

Other investments, advances and loans, less allowance for losses . . . $5,708,138

OWENS-ILLINOIS, INC.

(*thousands of dollars*)

Investments, deposits, etc.:

Deposits and other assets . . . $13,795

SEABOARD ALLIED MILLING CORPORATION

Other Assets:

Securities and advances, at cost . . . $439,240

CASH SURRENDER VALUE OF LIFE INSURANCE

The treatment of this asset as noncurrent is generally recommended and is in conformity with Chapter 3, Section A of *Accounting Research Bulletin 43*, issued by the committee on accounting procedure of the American Institute of Certified Public Accountants.

Cash surrender value presentations are summarized in Table 2-31.

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

Amount Separately Set Forth

HOUDAILLE INDUSTRIES, INC.

Other Assets:

Cash surrender value of life insurance . . . $113,747

MIDAS-INTERNATIONAL CORPORATION

Other Assets:

Cash Value of Life Insurance, Less Policy Loans of $438,680 (1969) . . . $111,182

NEBRASKA CONSOLIDATED MILLS COMPANY

Other Assets:

Cash surrender value of life insurance (Note 5) . . . $355,460

Note 5: (in part) *Long-Term Debt and Loan Agreements*—

Life insurance policy loans, secured by cash surrender value of life insurance . . . $333,104

WINN-DIXIE STORES, INC.

Investments and Other Assets:

Cash surrender value of life insurance (face amount of $4,200,000) . . . $849,504

TABLE 2-31: CASH SURRENDER VALUE OF LIFE INSURANCE

Disclosure	1969	1968	1965	1960
Amount separately set forth	32	32	—	—
Other disclosure	6	3	38	63
No such asset disclosed	562	565	562	537
Total companies	600	600	600	600

Combined with Other Noncurrent Assets

HART SCHAFFNER & MARX

Other Assets:

Investment in and advances to Austin Reed, Limited, at cost which approximates market	$1,071,000
Cash value of life insurance and other investments	1,637,000
	$2,708,000

OXFORD INDUSTRIES, INC.

Other Assets:

Excess cost of businesses purchased over net assets acquired	$ 447,900
Notes receivable	590,889
Cash value of life insurance, deposits and other	272,041
	$1,310,830

SAV-A-STOP, INCORPORATED

Other Assets:

Cash surrender value of life insurance, deposits, land held for investment, etc.	$338,015

THE PANTASOTE COMPANY

Other Assets:

Deferred charges	$1,867,559
Miscellaneous	613,073

Notes to Financial Statements

Note 9 (in part): *Employee Benefit Plans*—Deferred compensation agreements with certain key employes have been funded by life insurance policies, the cash value of which is included in Miscellaneous Assets.

Disclosure in Notes, Etc.

AEROSOL TECHNIQUES, INCORPORATED

Notes to Consolidated Financial Statements

Note D (in part): *Commitments, Contingencies and General Comments*—The aggregate annual minimum payable under two employment agreements amounts to $95,000. The agreements expire on varying dates in 1972 and 1974. One of the agreements, with the President of the Company, provides that should he die during the term of his contract the Company will pay his widow a death benefit equal to two years' salary.

Life insurance policies totalling $625,000 on the life of the President of the Company are owned by and payable to the Company.

On January 21, 1965, the stockholders authorized the Company to make fully collateralized interest free loans each year in amounts not to exceed the annual increase in the cash value of certain life insurance policies on the life of its President. The amount loaned each year will approximate $34,000. As at September 30, 1969, the funds advanced by the Company amounted to $183,000 (evidenced by notes receivable) and are fully secured by a collateral assignment of the policies to the Company.

As at September 30, 1969, notes receivable includes $369,182 of a customers open indebtedness converted into promissory notes with interest at 7% of which $316,442 is included in current assets. Notes receivable included among other assets comprise the balance of the notes due from the customer after September 30, 1970 and $183,000 of funds advanced pursuant to the arrangement discussed in the foregoing paragraph.

INTANGIBLE ASSETS

The committee on accounting procedure of the American Institute of Certified Public Accountants, in *Accounting Research Bulletin 43* (Chapter 5), makes the following statements as to the valuation of intangible assets.

4. 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.

. . . .

10. A problem arises in cases where a group of intangibles or a mixed aggregate of tangible and in-

TABLE 2-32: INTANGIBLE ASSETS

Type of Asset*	1969	1968	1965	1960
A: Excess of cost over book value of acquisitions	185	152	92	51
B: "Goodwill" re subsidiaries	20	25		
C: Goodwill (source not indicated)	65	72	103	132
D: Patents, patent rights	109	113	132	150
E: Trademarks, brand names, copyrights	59	63	73	98
F: Licenses, franchises, memberships	20	22	19	14
G: Formulae, processes, designs	8	14	17	18
H: Various other	24	27	63	60
I: Intangible assets (not further described)	36	33	30	23
Total	526	521	529	546
Valuation Basis				
Amortized balance	189	191	167	
Unamortized value	169	135	106	
Amortization policy not indicated	112	132	120	
Nominal value	56	63	136	
Total	526	521	529	
Number of Companies				
Presenting intangible assets	309	298	346	345
Not presenting intangible assets	291	302	254	255
Total	600	600	600	600

*Refer to Company Appendix Section—A:128, 187, 628; B: 197, 582, 708; C: 205, 262, 622; D: 511, 550, 563; E: 145, 323, 572; F: 13, 133; G: 31; H: 33, 369; I: 118, 586.

tangible 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.

Bulletin 43 specifies that the cost of intangibles with a limited term of existence (patents, copyrights, leases, licenses, franchises for a fixed term, and goodwill as to which there is evidence of limited duration) "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"; while the cost of intangibles not having a limited term of existence (goodwill generally, going value, trade names, secret processes, subscription lists, perpetual franchises, and organization costs) 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."

Bulletin 43 also states:

> 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.

If circumstances indicate that an intangible asset considered to have an unlimited term of existence has become worthless, the write-off to reflect this fact can, according to *Opinion No. 9* issued by the Accounting Principles Board of the Institute in 1966, be properly shown as an extraordinary charge to income.

Opinion No. 17—Intangible Assets issued by the Accounting Principles Board in August 1970 reaffirms that intangible assets should be recorded at cost. With regard to intangibles acquired as part of a group of assets, it makes the following statement.

> 26. Intangible assets acquired as part of a group of assets or as part of an acquired company should also be recorded at cost at date of acquisition. Cost is measured differently for specifically identifiable intangible assets and those lacking specific identification. The cost of identifiable intangible assets is an assigned part of the total cost of the group of assets or enterprise acquired, normally based on the fair values of the individual assets. The cost of unidentifiable intangible assets is measured by the difference between the cost of the group of assets or enterprise acquired and the sum of the assigned costs of individual tangible and identifiable intangible assets acquired less liabilities assumed. Cost should be assigned to all specifically identifiable intangible assets; cost of identifiable assets should not be included in goodwill. . . .

Unlike *Bulletin 43, Opinion No. 17* requires that the cost of all intangible assets acquired after October 31, 1970 (with the possible exception of intangibles recognized in business combinations initiated on or before October 31, 1970 but consummated subsequent to that date) be amortized over a period not to exceed forty years. Although the provisions of the Opinion are not to be applied retroactively, the Board "encourages" the practice of amortizing all intangible assets held on October 31, 1970. If the provisions of the opinion are not applied prospectively, "the accounting for intangible assets held on October 31, 1970 should be in accordance with Chapter 5 of *ARB No. 43* as modified *by APB Opinion No. 9*." Excerpts from *Opinion No. 17* follow.

> 9. The Board concludes that a company should record as assets the costs of intangible assets acquired from others, including goodwill acquired in a business combination. A company should record as expenses the costs to develop intangible assets which are not specifically identifiable. The Board also concludes that the cost of each type of intangible asset should be amortized by systematic charges to income over the period estimated to be benefited. The period of amortization should not, however, exceed forty years.
>
> . . . .
>
> 30. *Method of amortization.* The Board concludes that the straight-line method of amortization—equal annual amounts—should be applied unless a company demonstrates that another systematic method is more appropriate. The financial statements should disclose the method and period of amortization. Amortization of acquired goodwill and of other acquired intangible assets not deductible in computing income taxes pay-

TABLE 2-33: VALUATION OF INTANGIBLES

Type of Asset	Total	Amortized Balance	Unamortized Value	Nominal Value	Not Determinable
Excess acquisition costs (including "goodwill")	205	36	119	1	48
Goodwill (source not indicated)	65	11	19	19	17
Patents, patent rights	109	71	5	17	16
Trademarks, brand names, copyrights	59	23	12	13	11
Licenses, franchises, memberships	20	10	2	2	6
Formulae, processes, designs	8	2	3	3	—
Various other	24	16	3	2	3
Intangible assets (not otherwise described)	36	20	6	—	11
Total	526	189	169	56	112

able does not create a timing difference, and allocation of income taxes is inappropriate.

31. *Subsequent review of amortization.* A company should evaluate the period of amortization continually to determine whether later events and circumstances warrant revised estimates of useful lives. If estimates are changed, the unamortized cost should be allocated to the increased or reduced number of remaining periods in the revised useful life but not to exceed forty years after acquisition. Estimation of value and future benefits of an intangible asset may indicate that the unamortized cost should be reduced significantly by a deduction in determining net income (*APB Opinion No. 9*, paragraph 21). However, a single loss year or even a few loss years together do not necessarily justify an extraordinary charge to income for all or a large part of the unamortized cost of intangible assets. The reason for an extraordinary deduction should be disclosed.

The balance sheets of 309 of the 600 survey companies disclosed intangible assets in their 1969 annual reports, including 146 companies presenting only goodwill. Table 2-32 presents a comparative summary of intangible assets by type and by accounting treatments, while Table 2-33 shows accounting treatment for types of intangibles. Certain assets often considered to be intangibles are reported by the survey companies with land or depreciable assets, and are therefore excluded from these tables. It may be noted from Table 2-32 that the only type of intangible which is becoming appreciably more prevelant is excess acquisition cost, with the incidence of most other types decreasing sharply. As a corallary, the number of items carried at unamortized cost has increased most sharply, while the number of presentations at nominal value has been decreasing.

Examples of intangible asset presentations conforming to Chapter 5 of *ARB No. 43* as modified by *APB No. 9* and to *APB Opinion No. 17* are shown below.

Excess Acquisition Costs—Being Amortized

CORNING GLASS WORKS

Goodwill (Note 1) $8,144,188

Note 1: Principles of Consolidation—The consolidated financial statements include all significant controlled subsidiaries in which the company owns a majority of the common shares outstanding. During the year a controlling interest was acquired in two foreign associated companies. The financial statements include the results of operations of these companies for the last quarter of the year. Differences between investment cost and the net assets acquired (Goodwill) of these and other consolidated subsidiary companies are being amortized over twenty years or less from their respective dates of acquisition. The accounts of foreign subsidiaries included in the consolidated statements are expressed in U.S. dollars at year-end rates of exchange, except for fixed assets and related depreciation which are stated at rates on dates of acquisition of the assets, and for income and expenses (other than depreciation) which are expressed at rates prevailing during the year. Data pertaining to associated companies which are not consolidated is reported in Note 4 below.

NORTH AMERICAN PHILIPS CORPORATION

Intangible assets, at cost, less accumulated amortization — $3,719,445 ($5,068,418 — 1968) (Note 4) $10,989,965

Note 4: Intangible Assets

	1969	1968
Patents	$ 4,932,149	$ 4,915,149
Trademarks and trade names (including $2,563,364 not being amortized)	3,190,807	3,198,762
Goodwill	287,088	962,645
Unallocated excess cost of investments in consolidated subsidiaries over underlying book values at dates of acquisition (including $1,271,826 and $787,227 not being amortized)	6,299,366	7,047,652
	$14,709,410	$16,124,208
Less accumulated amortization	3,719,445	5,068,418
	$10,989,965	$11,055,790

It is generally the policy of the corporation to amortize the cost of patents rateably over the period subsequent to acquisition or issue during which the patents are effective. Trademarks and trade names ($627,443) are being amortized principally over 20 years. Goodwill and unallocated excess costs ($5,027,540) are being amortized at various rates from 15 to 30 years. When assets are fully amortized the cost and accumulated amortization are removed from the accounts.

PPG INDUSTRIES, INC.

Other Assets:

Excess of cost of investments in consolidated subsidiaries over equities in net assets—unamortized balance	$8,327,000

Financial Review

Amortization of Intangible Assets—The Corporation purchased several companies in prior years for prices in excess of book values of the net assets acquired. The excess is being amortized generally over a 10-year period. During 1969, the amount amortized against net earnings was $2,874,000, equivalent to $.14 per share. The unamortized balance of goodwill amounted to $8,327,000 at December 31, 1969.

THE RUCKER COMPANY

Patents and other intangible assets, net (Note 7)	$1,607,060
Excess of cost of investments in businesses over net assets acquired, net (Note 7)	1,087,313

Note 7: Intangible Assets—Patents and other intangible assets are being amortized on the straight-line method on the basis of their estimated useful lives. The accumulated amortization at December 31, 1969 and 1968 was $505,000 and $336,429 respectively.

Excess of cost of investments in businesses over net assets acquired is being amortized by the straight-line method over 25 years. The accumulated amortization at December 31, 1969 and 1968 was $59,939 and $20,596 respectively.

STANLEY HOME PRODUCTS, INC.

Other Assets:

Excess cost of investment in consolidated subsidiaries (Note 5)	$2,404,741

Note 5: Excess Cost of Investment in Subsidiaries—The excess cost of investments in Foster & Gallagher, Inc., F. P. Adams Company, Inc. and Frederick-Willys, Inc. over book values at dates of acquisition is being amortized by a charge against earnings over a twenty-year period.

TEXTRON INC.

Amount paid over value assigned to net assets of companies acquired, less amortization	$34,911,000
Patents, at cost less amortization	18,566,000

Financial Review

Amortization of Goodwill— In the course of Textron's acquisition program, goodwill has been involved in some acquisitions. This is being written off by charges to income, even though in most cases it is considered acceptable accounting to carry purchased goodwill on the balance sheet without amortization.

UNITED FOODS, INC.

Other Assets:

Excess of costs over underlying equity in assets purchased	$1,268,408

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of the company and all of its subsidiaries. Significant intercompany transactions were eliminated.

The excess cost of investment in certain subsidiaries and divisions acquired, over the underlying equity in their book net assets, is not being amortized in cases where, in the opinion of management, there is no diminution of value in the related investments. In other cases, the excess is being amortized over periods ranging from ten to fifteen years. Amortization charged to operations during the year ended February 28, 1969, was $38,196.

Excess Acquisition Costs—Not Being Amortized

ACF INDUSTRIES, INCORPORATED

Excess of cost over net assets of business acquired—Note 1	$14,894,000

Note 1: Principles of Consolidation—The consolidated financial statements include all subsidiaries of ACF Industries, Incorporated.

In December 1968 the Company purchased 93% of the common stock of The Polymer Corporation. The cost of the common stock purchased exceeded the book value of the underlying net assets by $16,348,000. Based on independent appraisals, $313,000 of this excess has been allocated to land and $1,141,000 has been allocated to manufacturing facilities. The remaining excess of cost over net assets acquired, amounting to $14,894,000, is considered, at this time, by the Board of Directors and the management of the Company to have a continuing value over an unlimited period and therefore is not being amortized. Minority interest in Polymer amounts to $701,000 (1968—$600,000).

In 1969 the Company changed its fiscal year from April 30 to December 31. The consolidated statements of income and earned surplus and the summary of changes in working capital are represented on a comparative basis for the calendar years 1968 and 1969.

GENERAL MILLS, INC.

Other Assets:	*(in thousands)*
Land, buildings and equipment	$237,774
Investments, instalment receivables and miscellaneous assets	39,137
Excess of cost over net assets of consolidated subsidiaries	89,761
Patents, copyrights, contracts and other intangibles, less amortization	32,615
Total	$399,287

Notes to Consolidated Financial Statements

Note 5: Intangible Assets—Excess of cost over net assets of consolidated subsidiaries represents the difference between purchase prices and the values ascribed to the net assets of businesses acquired for cash. At its meeting on May 28, 1969, the Board of Directors confirmed that the amounts composing the excess of costs over net assets of consolidated subsidiaries have continuing value; accordingly these intangible assets have not been amortized or otherwise reduced in value. Amortization of other intangibles which have limited useful lives amounted to $2,861,000 in 1969 and $1,089,000 in 1968.

INTERNATIONAL MILLING COMPANY, INC.

Intangibles (Note 4)	$7,217,662

Note 4: Intangibles—Intangibles represent costs in excess of net tangible asset values of businesses acquired. Except for certain costs which are being amortized over 10 to 15 year periods of benefit, it is the policy of the companies to carry intangibles at cost until such time as there may be evidence of diminution of value or the term of existence of such value becomes limited.

PALL CORPORATION

Other Assets:

Intangibles (less accumulated amortization of $223,219 and $190,144 respectively)	$383,140

Notes to Consolidated Financial Statements

Note 2: Cost of Investment in Subsidiaries in Excess of Net Tangible Assets at Date of Acquisition—Intangible assets include unamortized cost of investment in subsidiaries in excess of net tangible assets at date of acquisition of $299,284 at July 31, 1969 and $37,928 at July 31, 1968. The "excess" represents the difference between the purchase price and the company's equity in the underlying net tangible assets of companies acquired. Of the $299,284 included in intangible assets at July 31, 1969, $284,692 representing the "excess" attributable to the company's acquisition of Die-Draulic, Inc. (see Note "1") is not being amortized, since in the opinion of management, there has been no diminution in its value; the remaining amount is being amortized over an eight-year period ending in 1970.

WARNER-LAMBERT PHARMACEUTICAL COMPANY

Goodwill and Unamortized Cost of Patents (Note 4) $17,520,000

Note 4: Goodwill and Unamortized Cost of Patents—Goodwill arose in connection with certain acquisitions and represents the excess of the purchase price (including the fair value of the Warner-Lambert stock issued) over the value of the net tangible assets acquired. The goodwill so acquired is not being amortized since the value thereof is expected to be retained or increased. The cost of patents is being amortized over their legal lives.

Patents

AMPEX CORPORATION

($ *thousands*)

Patents, at cost, less accumulated amortization (1969—$2,500; 1968—$2,148) $1,592

THE CARBORUNDUM COMPANY

Investments and Other Assets:

Patents and processes, net (Note 4) $2,771,000

Note 4: Patents and Processes, Net—Patents and processes arising in connection with corporate acquisitions are carried at cost less accumulated amortization. Amortization is charged to income over the estimated economic lives of the patents and processes. It is the Company's policy to charge to expense its own development costs on patents and processes as incurred.

DICTAPHONE CORPORATION

Other assets $4,570,277

Notes to Consolidated Financial Statements

Other assets comprise the following:

Excess of purchase price over net assets of companies purchased	$2,231,952
Note receivable due in 1972	750,000
Prepaid expenses and deposits	323,336
Unamortized financing expense on debentures	268,372
Unamortized patent costs	193,015
Miscellaneous	803,602
	$4,570,277

The excess of purchase price over net assets of companies acquired is of a nature that amortization is not required. Financing expenses are being amortized over the life of the issue. Patent costs are being amortized over a ten year period.

EATON YALE & TOWNE INC.

Other Assets:

Unconsolidated finance subsidiaries — at equity	$10,240,172
Associate companies—at cost	2,922,330
Other assets and deferred charges	11,543,966
Excess of cost over value of net assets of companies acquired—at cost	13,760,415
	$38,466,883

Notes to Consolidated Financial Statements

Note E: Depreciation and Amortization—The Company provides for depreciation of property, plant, and equipment on the straight-line method. Patents and other intangible assets are being amortized over the statutory lives of the respective assets on the straight-line method; the excess of cost over value of net assets of companies acquired is not being amortized because, in the opinion of management, there has been no decrease in value.

MIDLAND-ROSS CORPORATION

Intangible Assets—Note G

From acquisition of companies	$4,363,187
Licenses and patents	2,546,835
	$6,910,022

Note G: Depreciation and Amortization—The straight-line method is used to compute depreciation and amortization of property, plant, and equipment, and licenses and patents. Intangible assets from acquisition of companies are not being amortized because, in the opinion of management, there has been no decrease in value.

NORTH AMERICAN ROCKWELL CORPORATION

Other assets $141,787,000

Notes to Financial Statements

Note 5: Other Assets—The principal categories of other assets at September 30, 1969 and 1968 were as follows:

	1969	1968
Investments in and advances to unconsolidated subsidiaries	$ 33,240,000	$ 24,183,000
Other investments and receivables	54,634,000	31,021,000
Intangible resulting from acquisitions	45,260,000	13,364,000
Patents—amortized cost	3,547,000	4,463,000
Deferred charges	5,106,000	4,131,000
Total	$141,787,000	$ 77,162,000

The intangible resulting from acquisitions represents the excess of the cost of purchased businesses over their recorded net asset values at acquisition dates and is not being amortized because in the opinion of the Corporation there has been no decrease in its value. The increase in 1969 was attributable principally to the purchase of 29.65% of the common stock of MGD.

PARKE, DAVIS & COMPANY

Other Assets—at cost, less applicable amortization:

Excess of cost of investment in subsidiaries over equity in net assets	$2,208,696
Miscellaneous investments and assets, including the cost of patents purchased	3,504,115
All other patents, formulae, processes, copyrights	1
Total Other Assets	$5,712,812

PARKER-HANNIFIN CORPORATION

Patents, at cost less amortization	$2,101,928
Excess of cost of investments in consolidated subsidiaries over equities in net assets, less amortization	$ 679,467

EX-CELL-O CORPORATION

Patents, at cost, less amortization $496,153

Trademarks, Brand Names

GYRODYNE COMPANY OF AMERICA, INC.

Patents and Trademarks—at cost less amortization $9,895

JANTZEN INC.

Patents and trademarks . . . . $ 1

THE PARKER PEN COMPANY

Patents, trade-marks and licenses, at amortized cost $249,827

THE QUAKER OATS COMPANY

Patents, trade-marks, trade rights, goodwill, etc., less amortization $3,316,000

WINNEBAGO INDUSTRIES, INC.

Intangibles, patents and trademarks, at amortized cost $12,989

Other Intangible Assets

AMERICAN BUILDING MAINTENANCE INDUSTRIES

Intangible Assets ... $2,719,372

Notes to Financial Statements

Note 4: *Intangible Assets*—The intangible assets are summarized as follows:

	1969	1968
Excess of cost of subsidiaries over underlying net asset value at date of acquisition	$2,152,417	$1,956,485
Goodwill	294,318	191,556
Janitorial service privileges	214,777	213,277
Other	57,860	48,826
	$2,719,372	$2,410,144

Of the other intangible assets, restrictive covenants in the amount of $19,680 are being amortized over their respective terms.

CHERRY-BURRELL CORPORATION

Other Assets:

Patents, licenses and engineering drawings, at cost less accumulated amortization of $416,617 in 1969 and $303,593 in 1968 ... $650,552

COLUMBIA BROADCASTING SYSTEM, INC.

Contract rights and other assets, at cost less amortization ... $58,169,000

DIAMOND SHAMROCK CORPORATION

Intangible Assets

Patents, trademarks, formulae, processes, etc., at cost less amortization	$ 573,000
Intangibles resulting from acquisitions	23,553,000
	$24,126,000

GLEN ALDEN CORPORATION

Other Assets:

Intangibles	$123,452,338
Unamortized debt expense	86,272,062
Franchises	50,000,000
Deferred charges and sundry	25,207,978
	$284,932,378

Intangibles and Franchises—Intangibles at December 31, 1969 represent the excess of unallocated cost of investments over equity in net assets of Schenley ($85,583,212) and other subsidiaries ($34,198,763). These net excess acquisition costs have been recognized by the management of Glen Alden as being similar in nature to intangibles which have not declined in value since acquisition. Accordingly, at the respective dates of acquisition, the management of Glen Alden adopted the policy of not amortizing these excess purchase costs so long as there is no diminution in value of the related investments.

Other intangibles of $3,670,363 are being amortized over periods not exceeding twenty years.

Franchises consist of Schenley contracts to import whiskeys, liquors, and other distilled spirits which, in the opinion of the management of Glen Alden, have continuing value and accordingly are not amortized.

LIGGETT & MYERS INCORPORATED

Franchises, Goodwill, Brands, and Trademarks—at cost, less amortization (Note 1) ... $110,832,155

Note 1 (*in part*): In 1969, the Company acquired two other companies in transactions accounted for as purchases, and the accounts of the acquired companies have been included in the consolidated financial statements since dates of acquisition. The cost of investments in these companies exceeded the Company's equity in their net assets at dates of acquisition by $23,311,422. Such excess cost will be increased by the amount of any additional payments to be made to former owners of one of the acquired companies (see Note 8).

At December 31, 1969, the unamortized portion of the cost of an exclusive franchise, held by the Company's subsidiary, The Paddington Corporation, to import J&B Rare Scotch Whisky aggregated $69,803,575, and the unamortized excess cost applicable to the acquisition of Paddington and Carillon Importers Ltd. (a subsidiary of the Company) aggregated $7,494,262. These costs are being amortized over the remaining lives of the J&B franchise and a franchise held by Carillon by annual charges to earnings of approximately $3,740,000. At December 31, 1969, the net excess of cost of investments in certain other consolidated subsidiaries, including the two companies purchased in 1969, over equity in their net assets at times of acquisition aggregated $33,534,315, and is regarded as goodwill which is not being amortized since, in the opinion of the Company, there has been no diminution of value since acquisition. This amount, together with the unamortized portion of the cost of the J&B franchise and the remaining excess cost applicable to Paddington and Carillon, is included in Franchises, Goodwill, Brands, and Trademarks in the accompanying consolidated balance sheet.

McCORMICK & COMPANY, INCORPORATED

Excess cost of acquisition of consolidated subsidiaries (Note B)	$172,641
Patents, less amortization	17,082
Goodwill, trademarks, formulae, etc.	1
Human relations	1

Note B: The consolidated financial statements include all wholly-owned subsidiaries. The Company's investments in Maryland Properties, Inc., an unconsolidated subsidiary, and 50%-owned companies are stated at cost plus share in net earnings since acquisition. At November 30, 1969, the assets and liabilities of Maryland Properties, Inc. and its consolidated subsidiaries were $31,679,000 and $31,389,000, respectively. Separate financial statements of this subsidiary are filed with the Securities and Exchange Commission.

Excess cost of acquisition of consolidated subsidiaries is being amortized over a ten-year period.

A. C. NIELSEN COMPANY

Intangible assets:

Patents	$ 88,335
Subscription lists, at cost	529,315
Excess of cost over underlying book value of companies at acquisition, less amortization	314,987
Total intangible assets	$ 932,637

SEARS INDUSTRIES, INC.

Purchased Service Routes—at cost less amortization ... $338,162

DEFERRED CHARGES AND OTHER ASSETS

The committee on accounting procedure of the American Institute of Certified Public Accountants states in *Accounting Research Bulletin No. 43*, Chapter 3, Section A:

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. . . .

6. This concept of the nature of current assets contemplates the exclusion from that classification of

TABLE 2-34: DEFERRED CHARGES AND OTHER ASSETS

Classification as to Type*		1969
A:	Debt discount or expenses	48
	Deferred income taxes	37
B:	Financing or organization expense	17
C:	Research and development	16
D:	Start-up and tooling costs	13
E:	Pensions	10
F:	Prepaid expenses	74
G:	Other deferred items (described)	26
H:	Other assets (described)	27
	Deferred charges (not described)	227
	Other assets (not described)	358
	Total	853

Number of Companies	
Having deferred charges or "other assets"	521
Not having deferred charges or "other assets"	79
Total	600

*Refer to Company Appendix Section—A: 241, 266, 666; B: 574, 661, 678; C: 291, 298, 689; D: 419, 562; E: 70, 92, 313; F: 24, 27, 369; G: 221, 311, 376; H: 327, 358, 570.

such resources as: . . . . 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.

Of the 600 survey companies, 521 presented deferred charges or "other assets" in their 1969 balance sheets. Table 2-34 indicates that most companies did not describe specifically the type of deferred charge or "other asset." Of the companies that did describe the nature of such accounts, the most common captions were: *debt discount or expense* and *deferred income taxes*. Examples illustrating the various types of deferred charges and other noncurrent assets, except for deferred income taxes, are shown below. Examples of deferred income taxes are presented in connection with Table 3-18.

Debt Discount or Expenses

FRUEHAUF CORPORATION

Unamortized Debt Issuance Expense $1,713,433

INDIAN HEAD INC.

Other Assets:

Unamortized debt discount and expenses . . $3,068,000

THE MOHAWK RUBBER COMPANY

Deferred Charges:

Debt expense, less amortization $466,698

Financing or Organization Expense

KEYSTONE CONSOLIDATED INDUSTRIES, INC.

Deferred financing expenses $401,869

MARTIN MARIETTA CORPORATION

Other Assets:

Other noncurrent assets $10,137,864

Financial Review

Other noncurrent assets of $10,138,000 included a Bond Sinking Fund of $2,017,000 and unamortized financing costs of $3,022,000.

STRUTHERS WELLS CORPORATION

Other Assets:

Unamortized financing costs, pensions, etc. . . $564,669

Research and Development Expense

GULF OIL CORPORATION

Deferred Charges $104,412,000

Notes to Financial Statements

Research and Development Expenditures—Research and development costs generally are charged to income as incurred. However, Gulf General Atomic Incorporated, a wholly owned subsidiary, has deferred such costs relative to a substantial development program in the nuclear energy field and is amortizing the total estimated costs over the development period. After considering related deferred income taxes, $23,900,000 has been deferred in the accounts at December 31, 1969.

SIMKINS INDUSTRIES, INC.

Other Assets:

Preoperating Costs (Note 3)	$285,816
Product Development Costs (Note 3)	124,313
Reorganization Expense	10,000
Prepared Expenses and Deferred Charges	278,488
Cash Value—Officers Life Insurance	10,492
Total Other Assets	$709,109

Note 3: Product Development and Preoperating Costs—Technical Instruments, Inc., a subsidiary, has incurred substantial costs in research and development of new products with a long-range potential. Certain of these costs have been deferred for accounting purposes, but charged against income when incurred for income tax purposes. All other research and development costs are expensed in the year incurred. The deferred costs will be amortized over a three year period including the current year's operations. Amortization charged to cost of sales in the year ended September 30, 1969 was $62,156.

The Company in July 1969, acquired a shutdown Board Mill. Preoperating costs have been incurred in readying the plant for operations. These costs have been deferred for accounting purposes, but charged against income for income tax purposes. The deferred costs will be amortized.

AMERICAN ZINC COMPANY

Deferred exploration and mine development expense (Note 8) $6,553,000

Notes to Consolidated Financial Statements

Note 8: Deferred Exploration and Mine Development Expense—The amount shown in the consolidated balance sheet at June 30, 1969 includes:

(a) $1,253,000 representing exploration expenditures relating to properties for which mineral rights have not been purchased or on which the commercial feasibility of mining has not been determined. If warranted by results of exploration or other future de-

velopments, the applicable exploration expenditures are transferred to the property accounts. Depletion is then taken as described in Note 7. If exploration is deemed unsuccessful or other developments occur which negate future commercial development, the applicable expenditures are then expensed in full.

(b) $5,300,000 representing expenditures in developing new mines and major new areas in existing mines. These expenditures are amortized ratably to ensuing production based on estimated tonnage of the related unmined deposits. Regular recurring mine development expenditures are not deferred and are charged to production costs in the year incurred.

Start-Up and Tooling Costs

VICTOR COMPTOMETER CORPORATION

Other assets (Note 1)	$3,860,777

Note 1: Deferred distribution costs—The company has deferred costs and expenses of $2,743,118, representing distribution and other start-up costs in connection with marketing its electronic data processing equipment. Since these costs were deducted for income tax purposes, provision has been made in the financial statements for the deferred income tax of $1,448,366 applicable to future years. It is planned that starting in 1971 these costs and applicable income tax are to be amortized for financial statement purposes on the basis of sales.

KUHLMAN CORPORATION

Other Assets:

Deferred start-up costs of new plant (Note 1)	$509,638

Note 1: New Production Facilities—A new distribution transformer plant at Versailles, Kentucky, costing approximately $7,000,000 (including supporting machinery and computer equipment) began operation in late 1969. Included in costs capitalized are engineering and computer software development costs of $553,650 and interest during construction of $252,109. These costs have been charged to plant and equipment, and will be depreciated over the lives of the related assets. Start-up costs of $509,638 related to this plant have been deferred at December 31, 1969: these costs will be charged to income over the three-year period 1970-1972.

The above costs have been expensed for Federal and State income tax purposes and, accordingly, deferred income taxes of $600,000 have been provided in 1969 for these timing differences.

Pensions

ENDICOTT JOHNSON CORPORATION

Deferred costs of retirement plan benefits (Note 1)	$1,487,117

Note 1: The following amounts have been charged to earnings—

	Year 1969	1968
Depreciation (principally straightline)	$3,289,504	$2,860,776
Maintenance and repairs	2,769,814	2,519,509
Rents, substantially all for retail stores, under leases, the majority of which have original terms of from three to ten years	6,366,674	5,880,204
Retirement plan costs	—	—(a)

(a) Charges to earnings for annual retirement plan costs are based on the unit credit method of funding, the current service costs of which approximate $1,150,000 for fiscal 1969 ($1,110,000 in fiscal 1968), less a portion of the unrealized market appreciation of common stocks held by the funds. As a result of the unrealized appreciation, no contribution to the fund will be required. All past service costs have been funded in prior years.

A. O. SMITH CORPORATION

Other Assets:

Prepaid pension costs (Note 4)	$3,600,000

Note 4: Retirement Plans—The Company and its consolidated subsidiaries have non-contributory pension plans covering substantially all employees. Total pension expense for 1969 and 1968 was $4,115,000 and $3,460,000, respectively, which amounts include current cost plus interest on unfunded prior service cost for all plans. In addition, the expense includes, for two plans (for which the actuarially computed value of vested benefits under the plans exceed the assets of related trusts by $17,900,000 as of December 31, 1969), a 40-year amortization of the prior service cost. The present policy is to fund pension cost accrued. The board of directors has authorized contributions to the pension trusts of $3,600,000 in excess of amounts charged to earnings; this amount is shown as prepaid pension costs in the balance sheet and the applicable deferred federal income taxes have been provided.

Other—Described

McCORMICK & COMPANY, INCORPORATED

Other Assets:

Litigation claim—pending (Note C)	$2,752,000
Receivables from employees, etc. (group life insurance pledged as collateral)	244,667
Deferred income tax	326,810
Other	403,941
Total Other Assets	$3,727,418

Note C: Pending the results of litigation instituted by the Company in the United States District Court for the District of Maryland to rescind the transaction under which the Company had purchased certain assets and patents and patent rights of Childers Foods, Inc. and Earl L. Childers, et al., the amounts paid to the sellers for such assets have been reclassified and are shown at November 30, 1969 as "Litigation Claim—Pending." This business is being conducted by a subsidiary as an involuntary bailee pending the outcome of the lawsuit. Accordingly, these operations are not included in the 1969 financial statements. As of this date the proceedings have not been completed, but based upon facts revealed by investigation and depositions taken, counsel for the Company is of the opinion that the Company should be successful in the suit and that, in any event, the Company will suffer no loss as a result of the purchase which would be material in relation to the financial position of the Company.

STANDARD PACKAGING CORPORATION

Estimated Recovery from Disposition of Assets—net	$1,510,296
Other Assets and Deferred Charges	2,335,089

THE PANTASOTE COMPANY

Other Assets:

Deferred charges (Note 2)	$1,867,559

Note 2: Deferred Charges—Deferred charges, net of accumulated amortization, include the following:

Costs relating to the organization and development of manufacturing facilities, to be amortized over the first five years of operation	$ 987,693
Lease expense to be amortized over life of lease, extending to 1990	212,653
Costs related to the sale of debt securities to be amortized over the term of the debt	244,249
Molds, dies and similar costs to be amortized over three years	336,119
Other costs	86,845
Total Deferred Charges	$1,867,559

SUNDSTRAND CORPORATION

Other Assets:

Preproduction costs (less amortization, 1969—$853,000)	$3,731,000

CURRENT LIABILITIES

Paragraphs 7 and 8 of Chapter 3, Section A, of *Accounting Research Bulletin 43* state:

7. The term *current liabilities* is used principally to designate obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities. As a balance-sheet category,

the classification is intended to include obligations for items which have entered into the operating cycle, such as payables incurred in the acquisition of materials and supplies to be used in the production of goods or in providing services to be offered for sale; collections received in advance of the delivery of goods or performance of services[2]; and debts which arise from operations directly related to the operating cycle, such as accruals for wages, salaries, commissions, rentals, royalties, and income and other taxes. Other liabilities whose regular and ordinary liquidation is expected to occur within a relatively short period of time, usually twelve months, are also intended for inclusion, such as short-term debts arising from the acquisition of capital assets, serial maturities of long-term obligations, amounts required to be expended within one year under sinking fund provisions, and agency obligations arising from the collection or acceptance of cash or other assets for the accounts of third persons.[3]

8. This concept of current liabilities would include estimated or accrued amounts which are expected to be required to cover expenditures within the year for known obligations (a) the amount of which can be determined only approximately (as in the case of provisions for accruing bonus payments) or (b) where the specific person or persons to whom payment will be made cannot as yet be designated (as in the case of estimated costs to be incurred in connection with guaranteed servicing or repair of products already sold). The current liability classification, however, is not intended to include a contractual obligation falling due at an early date which is expected to be refunded,[4] or debts to be liquidated by funds which have been accumulated in accounts of a type not properly classified as current assets, or long-term obligations incurred to provide increased amounts of working capital for long periods. When the amounts of the periodic payments of an obligation are, by contract, measured by current transactions, as for example by rents or revenues received in the case of equipment trust certificates or by the depletion of natural resources in the case of property obligations, the portion of the total obligation to be included as a current liability should be that representing the amount accrued at the balance-sheet date.

[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 or the advance receipt by a lessor of rental for the final period of a ten-year lease as a condition to execution of the lease agreement.

[3] Loans accompanied by pledge of life insurance policies would be classified as current liabilities when, by their terms or by intent, they are to be repaid within twelve months. The pledging of life insurance policies does not affect the classification of the asset any more than does the pledging of receivables, inventories, real estate, or other assets as collateral for a short-term loan. However, when a loan on a life insurance policy is obtained from the insurance company with the intent that it will not be paid but will be liquidated by deduction from the proceeds of the policy upon maturity or cancellation, the obligation should be excluded from current liabilities.

[4] There should, however, be full disclosure that such obligation has been omitted from the current liabilities and a statement of the reason for such omission should be given.

Notes and Loans Payable (Other Than Trade)

Table 2-35 shows the number of companies reporting short-term debt as distinct from amounts of long-term debt due within one year which is detailed in Table 2-39.

AMERICAN CYANAMID COMPANY
Current Liabilities:

Short term borrowings	$15,421,247

AMP INCORPORATED
Current Liabilities:

Foreign bank obligations	$4,722,000

BEECH AIRCRAFT CORPORATION
Current Liabilities:

Notes payable:	
Banks	$10,587,032
Other	6,012,180
	$16,599,212

BOND STORES, INCORPORATED
Current Liabilities:

Notes payable—bank	$6,500,000

CRANE CO.
Current Liabilities:

Loans payable by foreign subsidiaries	$7,891,193

TABLE 2-35: CURRENT LIABILITIES—NOTES AND LOANS PAYABLE (OTHER THAN TRADE)

Description*	1969
Payee indicated:	
A: Banks	208
B: Others	16
C: Payee not indicated	281
Total	505
Number of Companies Showing	
Short-term notes or loans	456
No short-term notes or loans	144
Total	600
D: Indicating short-term debt payable in foreign currency	32

*Refer to Company Appendix Section—A: 22, 79, 97, 708; B: 487, 702; C: 11, 42, 210, 445; D: 8, 116.

DAYCO CORPORATION

6% to 8½% notes payable to banks $20,912,964

HARNISCHFEGER CORPORATION

Current Liabilities:

Notes payable to banks—	
Secured	$ 696,975
Unsecured	30,000,000

KELLOGG COMPANY

Current Liabilities:

Foreign Loans $6,926,734

KELSEY-HAYES COMPANY

Current Liabilities:

Notes payable to banks (Note B) $10,000,000

Note B: *Notes Payable to Banks*—The Company has an agreement with a group of banks to borrow at the prime interest rate up to $30,000,000 on 90-day revolving credit notes and an option to convert any revolving notes to seven-year term installment notes at any time to September 1, 1972.

The agreement provides, among other covenants, that the Company maintain certain consolidated working capital amounts, and limits dividends declared subsequent to September 1, 1968, to an amount equivalent to consolidated net earnings less dividends declared after that date plus $10,000,000. At August 31, 1969, earnings retained for use in the business of approximately $16,400,000 were free from such restrictions.

MAREMONT CORPORATION

Current Liabilities:

Notes payable to domestic banks	$18,000,000
Notes payable to others including foreign banks	2,611,000

PUROLATOR, INC.

Current Liabilities:

Notes payable to bank	$8,200,000
Bank obligations in foreign currencies	$ 595,752

W. T. GRANT COMPANY

Current Liabilities:

Short-term notes payable	$180,097,200
Bank loans	2,035,000

Trade Creditors

Table 2-36 summarizes the captions used to describe liabilities due trade creditors.

TABLE 2-36: CURRENT LIABILITIES—TRADE CREDITORS

Description*	1969	1968
A: Accounts payable, payables, trade payables, etc. in a separate caption	360	368
B: Accounts payables combined with accrued liabilities or accrued expenses	209	214
C: Other captions	31	18
	600	600

*Refer to Company Appendix Section—A: 41, 355, 694; B: 20, 229, 366, 620; C: 8, 445, 692.

COOK PAINT AND VARNISH COMPANY

Current Liabilities:

Trade accounts payable $4,549,196

DRESSER INDUSTRIES, INC.

Current Liabilities: *(Thousands)*

Accounts payable, etc. $33,826

Liabilities to or for Employees

The captions used by the survey companies to describe liabilities to or for employees are summarized in Table 2-37.

ASSOCIATED PRODUCTS, INC.

Current Liabilities:

Accrued salaries	$366,989
Accrued pension and profit sharing expenses	57,572

BELL & HOWELL COMPANY

Current Liabilities: (000 *omitted*)

Salaries, Wages and Other Expenses $23,502

CHICAGO BRIDGE & IRON COMPANY

Current Liabilities:

Profit-sharing contribution	$4,400,000
Funds held for employees	2,044,339

DIAMOND SHAMROCK CORPORATION

Current Liabilities:

Employee Thrift Plan savings	$ 2,371,000
Accrued taxes, payrolls, interest, etc.	24,522,000

E. I. DU PONT DE NEMOURS & COMPANY *(dollars in millions)*

Current Liabilities:

Accounts Payable (Notes 5 and 7) $220.6

Note 5: *Accounts Payable* includes bonus installments payable within one year—

	1969	1968
In cash	$21.8	$22.6
In common stock of the company (171,040 shares in 1969 and 143,703 shares in 1968)	23.2	24.3
	$45.0	$46.9

Note 7: *Long-Term Borrowings by Foreign Consolidated Subsidiaries* at December 31, 1969, consist principally of the following long-term debt issues of European subsidiaries payable in foreign currencies—

Debt Issue	U.S. Currency Equivalent Amount	Payable
6% bond issue	$27.3	1971-80 in equal annual installments
6¾% bond issue	27.3	1973-82 in equal annual installments
5¼% bond issue	13.9	1982
6% bond issue	13.9	1984
9-9¼% term loans	34.2	1971-74
7½% term loan	24.0	1971-76 in semiannual installments

Foreign borrowings payable within one year, aggregating $44.7 at December 31, 1969 and $57.3 at December 31, 1968, are included in Accounts Payable.

TABLE 2-37: CURRENT LIABILITIES—LIABILITIES TO OR FOR EMPLOYEES

	1969			1968	1960
Description*	Separately	With Other Items	Total	Total	Total
A: Salaries, wages, payrolls, and/or commissions	48	135	183	195	282
B: Withholdings and/or payroll taxes	6	25	31	39	87
C: Pension or retirement plan contributions	9	14	23	23	N/C
D: Profit-sharing contributions	8	8	16	16	6
E: Other captions	11	33	44	33	100
Total	82	215	297	306	475
Number of Companies Showing					
Liabilities to or for employees			186	214	
No such liabilities			414	386	N/C
Total			600	600	

N/C—Not compiled.
*Refer to Company Appendix Section—A: 36, 358, 672; B: 268, 712; C: 92, 180, 458, 680; D: 48, 389, 543, 616; E: 274, 486, 590.

DRAVO CORPORATION

Current Liabilities:

Wages and salaries, including vacations . . . $3,929,054

GERBER PRODUCTS COMPANY

Current Liabilities:

Salaries, wages, and other compensation . . $3,285,146

GIANT FOOD INC.

Current Liabilities:

Accrued salaries and wages	$1,531,710
Withheld, payroll and sales taxes payable	1,991,537
Employees' stock payroll deposits (Note 6)	38,531

Note 6 (in part): *Employees Stock Purchase Plan, Options and Warrants*—Payments for shares under the Stock Purchase Plan and voluntary deposits under the Stock Option Plans are being made through weekly payroll deductions, with the employee having the right to cancel his subscription and have all of his payments refunded at any time. All of the amounts withheld are reflected as current liabilities in the accompanying balance sheet.

HYGRADE FOOD PRODUCTS CORPORATION

Current Liabilities:

Separation pay (Note 3) . . . $1,895,276

Note 3: *Separation Pay*—The total liability for separation at November 1, 1969 amounting to $3,206,509 includes $1,500,000 for estimated separation allowances to terminated employees under union contracts in respect of current plant closings; the remainder relates to an arbitration award to employees of a plant closed in an earlier year requiring payment of annual instalments in the amount of $395,000 through December 1, 1972, with interest at 4% per annum on the unpaid balances payable on December 1, 1973.

IOWA BEEF PACKERS, INC.

Current Liabilities:

Salaries, wages, bonuses and amounts withheld from employees . . . $1,585,000

LITTON INDUSTRIES, INC.

Current Liabilities: (*Thousands of Dollars*)

Payrolls and related expenses . . . $70,111

LOCKHEED AIRCRAFT CORPORATION

Current Liabilities:

Salaries and wages	$77,961,000
Retirement plan contribution (Note 6)	74,886,000

Note 6: The Company has trusteed noncontributory employees' retirement plans covering substantially all of its employees. The provisions for retirement plan costs were $72,900,000 for 1969 and $69,150,000 for 1968. The entire cost of the plans is being funded over the remaining service lives of the employees except for certain costs applicable to services prior to 1957. These aggregated $25,400,000 at December 28, 1969 and are being funded in annual installments of $2,170,000 over a period ending in 1986.

THE L. S. STARRETT COMPANY

Current Liabilities:

Employee Deposits for 1967 Stock Purchase Plan . . . $760,109

Notes to Financial Statements

1967 Employees' Stock Purchase Plan—Under the Plan options for 59,016 shares had been granted and 140,984 shares were unoptioned as of the beginning of the year. During the year options were granted for 12,520 shares and options for 4,987 shares were cancelled, with no options being exercised. At June 30, 1969 there were outstanding options for 66,549 shares and 133,451 unoptioned shares. The average purchase price of the optioned stock outstanding at the end of the year is either $16.41 per share or 85% of the market price exactly two years from the date the options were granted, whichever is lower.

STONE CONTAINER CORPORATION

Current Liabilities:

Employees' retirement fund and pension plans (Note 5)	$ 251,236
Employees' income tax withholdings	367,313
Accrued payroll, commissions, etc.	1,229,875

Note 5—Profit Sharing Retirement and Pension Plans—The Company has in effect a profit sharing retirement plan for salaried employees and salesmen and other pension plans negotiated with various unions. The cost of all of these plans for 1969 was $563,000.

All plans are noncontributing. The profit sharing retirement plan may be terminated at any future time at the option of the Company.

Income Tax Liability

Captions used in the balance sheet to describe the current liability for Federal income taxes are summarized in Table 2-38. The most frequently used captions are *income taxes* and *Federal income taxes.* Twenty-five companies did not show a current liability caption for income taxes.

TABLE 2-38: CURRENT LIABILITIES—INCOME TAX LIABILITY

Principal Caption*	1969	1968	1965	1960
	Number of Companies			
A: Income taxes (or taxes based on income)	171	137	100	66
B: Federal income taxes	124	149	180	232
C: Federal and state income taxes	50	51	43	51
D: Federal and foreign income taxes	57	62	61	45
E: Federal, state, and foreign income taxes	24	22	23	10
F: U.S. and foreign income taxes	60	56	60	N/C
G: Other captions restricted to income taxes	19	25	8	8
Total number of companies showing a caption restricted to income taxes	505	502	475	412
H: Income tax combined with other taxes	18	15	28	36
I: Taxes (type not specified)	41	54	43	37
Other captions	11	6	23	71
Total number of companies showing a liability	575	577	569	556
No caption for taxes payable	25	23	31	44
Total	600	600	600	600
Modifier				
Accrued	103	106	97	86
Estimated	27	28	49	112
Provision	13	17	38	63
Reserve	9	9	12	19
Total	152	160	196	280
No modifier (or "payable")	423	417	373	276
Total companies showing a tax liability	575	577	569	556
No caption for taxes payable	25	23	31	44
Total	600	600	600	600
Securities deducted from tax liability	4	6	50	90

*Refer to Company Appendix Section—A: 195, 313, 547, 635; B: 11, 214, 401, 666; C: 4, 392, 417, 580; D: 9, 135, 303, 566; E: 7, 153, 278, 692; F: 70, 126, 378, 563; G: 26, 215, 375; H: 87, 106, 382, 569; I: 3, 145, 247, 662.

ALPHA PORTLAND CEMENT COMPANY

Current Liabilities:

Income taxes	$1,761,707

AMERICAN BILTRITE RUBBER CO., INC.

Current Liabilities:

Taxes, other than income taxes	$ 544,696
Federal and foreign income taxes	1,023,251

BAYUK CIGARS INCORPORATED

Current Liabilities:

Estimated taxes on income—Note 5	$1,151,000

Note 5: A portion of consolidated income was earned by the Company's Puerto Rican subsidiaries, which have been granted tax relief through 1986. Under present tax laws, such income is not expected to be subject to United States income taxes until dividends are paid by the subsidiary companies.

The Internal Revenue Service is presently examining the Company's income tax returns for the five years ended December 31, 1966. It is not possible at this time to determine the amount of additional tax, if any, which may result from this examination. It is the opinion of management that adequate provision for income taxes has been provided for open years 1962 through 1969.

Certain items of income and expense are reflected in these financial statements on different bases and periods than those used in the determination of income taxes currently payable. The tax effect of these differences for 1969 and 1968, $636,000 and $301,000, respectively, has been included as deferred income taxes in the provision for income taxes. These deferred income taxes, even though they may not be expected to become payable within twelve months, have been included in the current liability account, estimated taxes on income, in the balance sheet in accordance with the classification of the accounts to which they relate.

ENGELHARD MINERALS & CHEMICALS CORPORATION

Current Liabilities:

Accrued U.S. and foreign taxes on income	$8,137,272

GOLDBLATT BROS., INC.

Current Liabilities:

Accrued liabilities (including state and local taxes)	$10,157,825
Federal income taxes—	
Current	374,530
Deferred (applicable to installment and revolving accounts receivable)	4,829,000

JEWEL COMPANIES, INC.

Current Liabilities:

Accrued federal, state and local taxes	$13,120,572

THE MOHAWK RUBBER COMPANY

Current Liabilities:

Federal income taxes	$231,344
Federal income taxes applicable to future years (prepaid)—net—Note B	311,200

Note B: *Federal Income Taxes*—On December 31, 1968, the Company sold accounts and notes totaling $7,853,860 to a bank. In connection with this sale, the Company changed, for federal income tax purposes only, to the installment method of recognizing income on certain sales after January 1, 1969.

The provision for deferred federal income taxes reflects timing differences in the recognition of certain income and expense items for financial reporting and federal income tax purposes. The differences relate, primarily, to methods of computing depreciation and use of the installment method in determining income for certain sales for federal income tax purposes.

MALONE & HYDE, INC.

Current Liabilities:

Federal and State Income Taxes Payable (Note 8) $3,768,000

Note 8: *Federal Income Tax*—Federal income tax returns of Malone & Hyde, Inc. and its subsidiaries have been examined for all open years through fiscal 1964, and agreements have been reached with respect thereto with the Internal Revenue Service. Tax returns for fiscal years 1965, 1966 and 1967 have been examined and deficiencies aggregating some $560,000 have been proposed. Management is of the opinion that the returns as filed are correct and is, therefore, vigorously protesting the proposed deficiency. It is not possible at this stage to predict the ultimate outcome of the matter.

REYNOLDS METALS COMPANY

Current Liabilities:

Taxes on income, less United States Government Tax Anticipation Bills (1969—$5,700,014) $32,167,340

Current Amount of Long-Term Debt

Most companies having long-term debt presented, either separately or in combination with other amounts, a caption in the current liability section for the current amount of long-term debt. Table 2-39 shows the various descriptive captions.

ALAN WOOD STEEL COMPANY

Current Liabilities:

Long-term debt due within one year $2,375,000

TABLE 2-39: CURRENT AMOUNT OF LONG-TERM DEBT

Description*	1969
A: Current portion of long-term debt	123
B: Current maturities of long-term debt	114
C: Long-term debt due or payable within one year	90
D: Current installment of long-term debt	61
E: Type of long-term debt (e.g. Bonds Payable, Notes Payable, etc.)	34
F: Caption combining maturing portion with other amounts	77
Total	499
Number of Companies Showing:	
Current amount of long-term debt separately	411
Current amount of long-term debt combined with other amounts	77
No current amount shown	112
Total	600

*Refer to Company Appendix Section—A: 47, 325, 539, 666; B: 9, 115, 470, 578; C: 40, 126, 263, 594; D: 85, 141, 193, 650; E: 57, 160, 346; F: 69, 226, 272, 647.

AMERICAN METAL CLIMAX, INC.

Current Liabilities:

Notes payable (Note 8) $12,590,000

Note 8: *Notes Payable*:

	1969	1968
4½%, payable 1970 to 1988	$ 57,000,000	$ 60,000,000
6% to 7%, payable 1970 to 1975 (Secured by properties)	35,000,000	28,000,000
4.85%, payable 1970 to 1986	24,380,000	25,320,000
6¼%, payable 1972 to 1982	23,460,000	25,000,000
5⅛%, payable 1970 to 1987	21,690,000	22,440,000
6%, payable 1970 to 1974	11,780,000	13,750,000
5%, payable 1970 to 1975	16,000,000	—
4.85%, payable 1970 to 1977	6,110,000	6,370,000
3⅛%, payable 1970 to 1971	4,500,000	5,250,000
4¾%, payable 1970 to 1977	4,160,000	4,580,000
Other notes payable	9,720,000	8,860,000
	213,800,000	199,570,000
Less amounts due within one year	12,590,000	9,700,000
Net long-term	$201,210,000	$189,870,000

The 1969 long-term notes are payable as follows:

1971	$ 17,920,000
1972	24,070,000
1973	24,140,000
1974	23,810,000
1975	15,690,000
1976-1990	95,580,000
	$201,210,000

BOBBIE BROOKS, INCORPORATED

Current Liabilities:

Long-term debt—portion due within one year $1,021,306

COLUMBIA BROADCASTING SYSTEM, INC.

Current Liabilities:

Notes and mortgages $6,829,000

Notes to Financial Statements

Notes and Mortgages:

Notes and mortgages at January 3, 1970 consisted of the following:

	Current Portion	Due After One Year
Notes due 1970 to 1991, 5½%	$2,800,000	$ 64,400,000
Bank line of credit ($40,000,000 not used as of January 3, 1970)		60,000,000
Other debt	4,029,000	5,690,000
	$6,829,000	$130,090,000

The bank line of credit extends until November 10, 1971 at the prime rate of interest. On or prior to that date the Company may convert it into a four-year term loan at ¼% above the prime rate.

M. H. FISHMAN CO. INC.

Current Liabilities:

Mortgage payments due within one year $13,389

FREEPORT SULPHUR COMPANY

Current Liabilities:

First mortgage bond payments of National Potash Company—due within one year $913,200

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Current Liabilities:

Long-term debt payable within one year (Note 7) $18,767,000

Note 7: *Long-Term Debt*—The amounts shown as outstanding in the summary following have been reduced by $4,731,000 principal amount of certain of the issues reacquired by the Company, which will be used to satisfy future sinking fund requirements. The annual payments to be made during the next five years, ap-

plicable to debt outstanding at December 31, 1969, vary from $18,767,000 in 1970 to $26,108,000 in 1974.

At December 31, 1969, the 4½% debentures were convertible into 2,332,151 shares of common stock at a conversion price of $25.75 per share.

	Payable within one year	Payable after one year	Total at December 31, 1969
4½% convertible subordinated debentures due 1978-1992		$ 60,053,000	$ 60,053,000
4¾% sinking fund debentures due 1972-1983		35,019,000	35,019,000
5¼% promissory notes due 1970-1986	$ 500,000	48,500,000	49,000,000
4¼% promissory notes due 1970-1977	1,300,000	8,000,000	9,300,000
6½% promissory notes due 1970-1974	12,000,000	48,000,000	60,000,000
5% and 6½% promissory notes due 1970-1985 by domestic subsidiaries	3,300,000	42,200,000	45,500,000
Foreign currency loans due 1970-1979 by foreign subsidiaries	946,000	24,440,000	25,386,000
Other	721,000	3,560,000	4,281,000
	$18,767,000	$269,772,000	$288,539,000

SOLA BASIC INDUSTRIES, INC.

Current Liabilities:

Current maturities on long-term debt	$1,098,978

THE STANDARD REGISTER COMPANY

Current Liabilities:

Notes payable, current installment, plus interest (Note 1)	$1,587,734

Note 1:Long-Term-Debt—The Company's long-term debt at January 4, 1970 consists of the following:

	Due Within One Year	Due After One Year
Promissory note held by Northwestern Mutual Life Insurance Co., executed at par on July 28, 1966 for $12,000,000 bearing interest at 5.9%, payable in annual installments of $800,000	$ 800,000	$ 8,800,000
Promissory note held by Wells Fargo Bank, executed at par on August 28, 1969 for $1,500,000, bearing interest at ½% over prime commercial rate, payable in annual installments of $300,000.	300,000	1,200,000
Promissory note held by First National Bank of Boston, executed at par on August 28, 1969 for $1,500,000, bearing interest at ½% over prime commercial rate, payable in annual installments of $300,000	300,000	1,200,000
Totals	$1,400,000	$11,200,000

The note agreements restrict the payment of cash dividends if net working capital is less than $12,500,000, or the sum of all dividends paid subsequent to December 31, 1965 exceeds $2,000,000 plus all net income earned after that date. At January 4, 1970, retained earnings of $10,229,298 were available for dividends under the terms of this restriction.

Other Current Liabilities

Other identified current liabilities are summarized in Table 2-40. The most common types of other current liabilities were dividends payable and taxes not combined with federal income taxes. Unidentified other current liabilities, generally described as *accrued expenses, accrued liabilities,* or *other current liabilities* are not included in Table 2-40. There were 569 such presentations.

TABLE 2-40: OTHER CURRENT LIABILITIES

Number of Presentations	1969
Dividends payable	133
Taxes not combined with Federal Income taxes	132
Deferred taxes	51
Interest	26
Customer advances, deposits, etc.	23
Guarantees, warranties, service contract obligations etc.	16
Billings on uncompleted contracts	11
Due to affiliated companies	11
Advance rentals	9
Carved-out production payments	5
Trade acceptances	5
Other	39
Total	461

AMERICAN CYANAMID COMPANY

Current Liabilities:

Accrual for settlement of litigation (Note 11)	$17,983,559

Note 11: Reference is made to the remarks under "Litigation" in the foregoing report of the Board of Directors, and to the comments in the President's letter to shareholders with respect to the antibiotics litigation in which the company is involved.

The accrual of $54,000,000 was established on the basis of the original settlement offers made in February 1969 (plus an amount for legal expenses) and does not include any amount in respect of litigation to which such original settlement offers do not extend, such as the pending suits (some of which allege substantial amounts of damages) involving claims on behalf of competitors, purchasers of animal feed and veterinary products, one foreign government, certain benefit and insurance plans which reimbursed individuals and the United States Government. Due to the uncertainty necessarily inherent in litigated matters of this sort, the eventual cost to the company of disposing of this litigation by way of settlement or otherwise cannot be accurately predicted. However, the company believes, on the basis of information and advice presently available, that any additional liability with respect to this antitrust litigation will not have a material adverse effect upon the consolidated financial position of the company and its subsidiaries.

The amount included in the balance sheet reflects a reduction for the October deposit in escrow of $34,392,510 and certain litigation costs.

President's Letter (page 2)

As a result of the program for settling the antitrust litigation in which Cyanamid is involved, the company during 1969 accrued the amount of $54 million with respect to the settlement of certain of the damage suits filed against it, and this amount, less an estimated tax benefit of $29.4 million, has been charged against earnings of appropriate prior years. In October, the company deposited approximately $34.4 million in escrow under court supervision as its share of a total deposit of approximately $85.3 million made to implement a major portion of the settlement program. A further discussion of recent developments in this litigation and the settlement program appears in the section of this report captioned Litigation on page 15.

Year in Review (page 15):

Litigation: The United States Court of Appeals for the Second Circuit has not ruled on the defendants' appeals from the December 1967 conviction of the Company and two other drug com-

panies in the criminal antitrust suit involving broad spectrum antibiotics. With respect to the related treble damage suits and other civil litigation, the principal developments not previously reported to the shareholders have been the filing of some additional treble damage suits and the tentative agreement reached in January 1970 on a revised plan for settlement of claims by private hospitals and certain insurance plans. This revised plan, which has not yet been approved by the court nor submitted to all the members of the classes, would contemplate the present payment by Cyanamid of approximately $11,600,000, of which the major portion has been provided for in the accrual of $54,000,000 mentioned in the President's letter. The stockholder's derivative action brought on behalf of the Company against certain directors of the Company, involving the alleged antitrust violations referred to above, is still pending.

CARRIER CORPORATION

Current Liabilities:

Product guarantees (Note 4)	$8,498,510

Non-Current Liabilities:

Extended-term product guarantees (Note 4)	$5,948,866

Note 4: Accounting for Income Taxes—Before 1969, future tax benefits resulting from deferral of the tax deductibility of estimated provisions for product guarantees and other liabilities were netted against the related liability.

In accordance with a revision in generally accepted accounting principles, these tax benefits have been included in current and non-current prepaid income taxes in the consolidated balance sheet as of October 31, 1969. In addition, extended-term product guarantees and certain other liabilities not payable within one year have been classified as non-current liabilities. The consolidated balance sheet as of October 31, 1968, has been restated accordingly.

The provision for income taxes includes $2,146,000 in 1969 and $2,221,000 in 1968 not currently payable as a result of accelerated tax depreciation, and the amortization of investment tax credits.

COMBUSTION ENGINEERING, INC.

Current Liabilities:

Advance payments on contracts	$101,441,746
Dividends payable	2,700,764

CONTROL DATA CORPORATION

Current Liabilities:

Amounts due affiliates—current portion (Note 9)	$54,888,690
Customer advances	12,257,213

Note 9: Transactions with Affiliates—During the current year, the Company entered into certain financing transactions with finance subsidiaries of Commercial Credit Company dealing principally with (1) the sale to the finance subsidiaries of future rentals related to computer equipment under short-term leases arising from the Company's domestic operations, and (2) the sale to the finance subsidiaries and concurrent non-cancellable lease-back by the Company of substantially all remaining computer systems (which continue to be carried as property) held under domestic short-term leases by customers other than computer systems with respect to which lease rights have been sold.

The accompanying consolidated balance sheet includes $101,435,-589 and $54,888,690 as non-current and current "Amounts due affiliates," respectively, as a result of these transactions.

DRESSER INDUSTRIES, INC.

Current Liabilities:	*(In Thousands of Dollars)*
Advances from customers on contracts	$ 2,523
Accrued compensation, taxes, interest, etc.	42,888
Estimated warranty costs	3,441

EXTENDICARE, INC.

Current Liabilities:

Notes payable to former owners of acquired businesses	$2,507,973
Mobile home inventory floor plan liability	332,356
Payable to stockholders	91,148
Medicare advances from fiscal intermediaries, non-interest bearing	366,776

FRUEHAUF CORPORATION

Current Liabilities:

Notes payable to banks and commercial paper	$111,211,736
Accounts payable and accrued expenses:	
Trade accounts	46,393,558
To Fruehauf Finance Company	
Salaries, wages, and employee benefits	12,674,090
Taxes—other than income	7,817,493
Interest	2,147,822
	$ 69,032,963
Dividends payable	3,701,800
Taxes on income (Note E)	23,306,496
Total Current Liabilities	$207,252,995

Note E: United States and Canadian Taxes—The Internal Revenue Service has reviewed the excise tax returns filed by the Corporation and has advised the Corporation that it is in substantial disagreement with the Corporation's method of computing excise taxes payable. The Corporation has not been formally notified as to the amount of assessment proposed. In the opinion of management, based upon advice of special legal counsel, the outcome of this matter will not have a material effect on the financial statements after taking into account provisions previously made for excise tax liability.

The provision for taxes on income includes taxes ($3,965,000 in 1969 and $2,980,000 in 1968) on income of the finance subsidiary. The provision for taxes on income is stated after investment tax credit of $1,650,000 in 1969 and $1,550,000 in 1968.

Deferred taxes on income are applicable principally to the difference in depreciation of property, plant and equipment, computed on accelerated methods for tax.

MCA INC.

Current Liabilities:

Advance billings for television film rentals	$9,528,000

THE NATIONAL CASH REGISTER COMPANY

Current Liabilities:

Accrued taxes	$44,040,000
Other accrued liabilities	87,506,000
Customers' deposits and service prepayments	66,239,000

J. C. PENNEY COMPANY, INC.

Current Liabilities:

Due to J. C. Penney Financial Corporation	$107,197,222
Dividend payable	12,921,100
Federal income taxes	11,175,643
Deferred credits, principally tax effects applicable to installment sales	100,400,000

PEPSICO, INC.

Current Liabilities:	*(In Thousands)*
Customers' deposits on bottles and cases	$14,734

THE SPERRY AND HUTCHINSON COMPANY

Current Liabilities:

Liability for stamp redemptions	$211,750,000

Notes to Financial Statements

Note 1: Accounting Policies—Liability for Stamp Redemption—The Company records stamp service revenue and provides for the cost of redemptions at the time stamps are furnished to licensees. The provision for redemption consists of estimates, based upon current operating experience, of the cost of merchandise and the related redemption service expenses required to redeem 95% of the stamps issued. At January 3, 1970, the liability for stamp redemptions of $211,750,000 included $164,698,000 for the cost of merchandise and $47,052,000 for redemption service expenses representing all other direct expenses related to redemptions. This

liability is classified wholly as a current liability although some portion of the stamps provided for may not be presented for redemption within one year.

Since redemption service expenses are deducted for Federal income tax purposes as actually incurred, the future tax benefit attributable to the difference between the provision for redemption service expenses and the actual expense incurred in each period has been recognized in the financial statements.

LONG-TERM DEBT

Types of long-term debt appearing in the 1969 balance sheets of the survey companies are analyzed in Table 2-41. In addition to the information shown in the table, 75 companies have long-term debt payable in foreign currency and 81 companies have long-term debt which is callable at the option of the company. Examples of long-term debt presentations follow.

TABLE 2-41: LONG-TERM DEBT

Unsecured (Not Convertible)*	1969
A: Notes	401
B: Debentures	302
C: Loans	108
Other (Specified)	63
Other (Not Specified)	201
Total	1,075
Secured (Not Convertible)*	
D: Mortgages and other debt secured by real estate	230
E: Capitalized leases	119
F: Notes or Loans	72
Other	49
Total	470
Convertible*	
G: Debentures	197
H: Notes	39
Other	5
Total	241
Number of Companies Presenting	
Unsecured and secured	200
Unsecured only	163
Unsecured, secured, and convertible	107
Unsecured and convertible	70
Other combinations	26
No long-term debt	34
Total	600

*Refer to Company Appendix Section—A: 104, 445, 649, 661; B: 53, 250, 517, 676; C: 21, 220, 397, 650; D: 328, 429, 594; E: 205, 358, 459; F: 160, 241, 704; G: 226, 292, 484, 582; H: 7, 481, 690.

AMERICAN BRANDS, INC.

Liabilities	(In Thousands)
Long-term debt	$351,422

Notes Accompanying Financial Statements

Long-term debt:

	Principal Amounts at December 31, 1969 (In 000)
Payable in U.S. currency:	
Debentures:	
Twenty-five year 3¼%, due February 1, 1977 (a)	$ 10,326
Twenty-five year 4⅝%, subordinated, due July 1, 1990 (sinking fund requirements begin in 1971 (a)	7,235
Twenty-five year 5⅞%, due July 1, 1992 (sinking fund requirements begin in 1973)	100,000
Twenty year 5¼% convertible, guaranteed, due August 1, 1988 (b)	49,081
Twelve year 8% guaranteed, due November 15, 1981 (sinking fund requirements begin in 1971) (c)	18,700
Eurodollar notes under revolving credit arrangements, interest ranging from 11⅝% to 12-1/16% (d)	27,900
Miscellaneous mortgage and notes	21,852
Payable in foreign currencies:	
7% German mark borrowings, due December 31, 1979 (sinking fund requirements begin in 1975)	54,375
6¾% Swiss franc borrowings, due February 28, 1984	9,264
6¼% Guaranteed Swiss franc borrowings, due December 30, 1973	11,628
6% British sterling notes, due 1976 through 1985	43,200
	353,561
Less current portion	2,139
Total	$351,422

(a) Amounts shown are net of debentures acquired by the Company through open market purchases to cover sinking fund requirements. Such requirements have been met through 1970 for the 3¼% debentures and through 1972 for the 4⅝% debentures.

(b) These debentures sold by a subsidiary in August 1968, are guaranteed by the Company and are convertible into the Company's Common stock at $36 a share. At December 31, 1969, a total of 1,363,365 shares of Common stock at a cost of $42,574,000 were held in treasury and reserved for such conversions.

(c) These debentures sold by a subsidiary in November 1969, are guaranteed by the Company. Pursuant to terms of delayed delivery contracts, $6,300,000 of additional debentures were issued in January 1970.

(d) These notes represent borrowings under Eurodollar revolving credit arrangements with certain banks aggregating $80,000,000. The maturity of the notes may range from 30 to 180 days and the interest rate is fixed at the time of each borrowing. Of these lines of credit, $30,000,000 expire on September 2, 1970, and the balance on December 31, 1973.

ACME MARKETS, INC.

Long-term debt, excluding current instalments (Note 2)	$14,305,847

Note 2: Long-term Debt—A summary of long-term debt at March 29, 1969 is shown below:

	Total	Current Instalments	Long-term
5¾% notes payable due August 1, 1975	$10,000,000	$1,200,000	$ 8,800,000
Other notes payable	1,148,211	193,951	954,260
Purchase agreement	4,764,505	212,918	4,551,587
	$15,912,716	$1,606,869	$14,305,847

The 5¾% notes are to be repaid in equal quarterly instalments of $400,000 commencing August 1, 1969. Among other things, the

terms of the loan agreement require the company to maintain consolidated net working capital of not less than $45,000,000. Since working capital at March 29, 1969, amounted to $66,331,921 earnings retained for use in the business to the extent of $21,331,-921 were free of restriction as to the payment of cash dividends.

The other notes payable bear interest at various rates, generally from 4% to 6%, are to be repaid by 1978 and are in part secured by deeds of trust on certain real estate. The purchase agreement relates to a distribution center property which is included in investment real estate and requires equal semi-annual payments through 1986 applied first to interest (2⅞% during initial 10-year period) and the remainder to principal.

AMERICAN STANDARD INC.

	(Dollars in (Thousands)
Long term debt	$333,587

Notes to Consolidated Financial Statements

Debt: Total long term debt (excluding $10 million carried in "Current Liabilities") increased $104 million of which $46 million represented increased domestic loans, principally under the terms of a revolving credit/term loan arrangement with a group of banks. The remaining increase of $58 million was borrowed abroad of which a major portion was arranged in connection with acquisitions in Europe.

Current loans increased $26 million, with U. S. borrowings down $5 million and offshore loans up $31 million. Increased foreign credit was required to support working capital and to some extent to comply with U.S. foreign direct investment and repatriation requirements.

Long term debt at December 31, 1969 (excluding $10 million included in "Current Liabilities") is as follows:

	(dollars in millions)
Notes payable, prime rate, due January 2, 1971 (a)	$ 40.0
6½% promissory notes (a)	70.0
Notes payable, prime rate (b)	70.0
5¾% promissory notes due in installments to 1992	25.0
3⅞% sinking fund debentures due 1978	16.2
4% sinking fund notes, due 1981	4.5
Eurodollar loans, due 1971 to 1972, 8%-12%	17.5
Swiss franc loans, due 1974, 7¼-9¼%	19.2
Italian lira loans, due 1972-1979, 7.75%	19.2
Loans of overseas subsidiaries, 3%-9%	36.6
Other loans, interest ranging from 4%-9%	15.4
	$333.6

(a) American-Standard has agreed to borrow $110 million from certain institutional lenders by issuing 6½% promissory notes repayable in annual installments of $6.6 million beginning September 1, 1976 with balance due September 1, 1990. At December 31, 1969 $70 million of this amount has been borrowed. The remaining $40 million will be used to liquidate the notes payable to banks by January 2, 1971.

(b) The $70 million notes payable to domestic banks are payable on revolving credit basis. The agreement with the banks provides that on April 15, 1971 the banks will convert the outstanding notes into a term loan, repayable in eight equal semi-annual installments commencing six months after the date of the term loan. Interest will be at the best rate for 90-day loans plus ¼ of 1%.

(c) The aggregate amounts of long term debt maturing in each of the four years after 1970 are: 1971—$41.7 million; 1972—$34.3 million; 1973—$34.0 million and 1974—$32.5 million.

(d) Among the working capital and dividend restrictions contained in the various loan agreements, the most restrictive requires the Company to maintain consolidated working capital of $250 million and restricts the payment of cash dividends. Consolidated earned surplus not so restricted at December 31, 1969 amounted to approximately $40 million.

ARDEN-MAYFAIR, INC.

Notes and contracts payable	$ 2,421,736
Long-term insurance loans	25,000,000
6% subordinated income debentures	$23,438,100

Notes to Financial Statements

Note 3: Long-Term Insurance Loans—Of the long-term insurance loans, $17,250,000 bears interest of 5¼% and $9,750,000 bears interest at 5¾%. The notes mature $1,000,000 semiannually through December 1, 1979, with $550,000 maturing semiannually thereafter to December 1, 1984, when the remaining balance is payable. The loan agreements provide for optional prepayments of principal without premium to the extent that the prepayments are not greater than the semiannual maturities.

Under the terms of the loan agreements, the Company is subject to certain limitations on cash dividends, creation of additional debt and guarantees, rental payments, and loans to others. Further, consolidated working capital cannot be less than $20,000,000: At January 3, 1970, $1,473,500 of the retained earnings was unrestricted for dividend payments.

Note 4: 6% Subordinated Income Debentures—The indenture relating to the 6% subordinated debentures due September 1, 2014, provides for an annual payment by the Company into a sinking fund, beginning March 1, 1970, of certain amounts to be used to redeem such debentures. The amounts are to be determined by applying certain percentages to the largest aggregate principal amount of debentures outstanding at any time as follows:

Years from	Percentage to be applied
1970 through 1979	1%
1980 through 1985	1½%
1986 through 2014	2%

The Company may make optional redemptions of the debentures at any time without premium.

Interest on the debentures is payable only to the extent that current annual net income (consolidated net income before income taxes and interest paid on the debentures) is sufficient therefor, or at the discretion of the Company, out of unrestricted retained earnings earned after January 1, 1965. Any interest payable on the debentures, which is unpaid because of the unavailability of net income, will accumulate and become payable out of subsequently accruing available net income.

BELL & HOWELL COMPANY

	(000 *omitted*)
Long-term debt, less current maturities (Note D)	$20,534

Note D: Long-Term Debt—Long-term debt consists of the following:

	Total	Current Maturities
5⅛% promissory notes, due $750,000 annually to 1986	$12,750,000	$ 750,000
7½% promissory notes, due 1971-1973	4,718,000	—
25-Year 4¾% Subordinated Notes, due $200,000 annually beginning in 1972	2,100,000	—
Other, not exceeding 8¾%, due various dates through 1984 (including $309,500 of 4½% Convertible Subordinated Debentures)	2,958,000	1,242,000
	22,526,000	$1,992,000
Less—Current maturities	1,992,000	
	$20,534,000	

The conversion privileges of the 4½% Convertible Subordinated Debentures and the 25-Year 4¾% Subordinated Notes are described in Note F.

The terms of the notes and debentures provide, among other things, for certain minimum requirements as to working capital, and place restrictions on the payments of cash dividends and purchases of capital shares. Earnings invested in the business not subject to these restrictions amount to approximately $34,900,000 at December 31, 1969.

Note F (in part): Common Shares—Authorized and unissued Common Shares were reserved for conversion or issuance at December 31, 1969, and conversions or issuances during the year were as follows:

	Common Shares Reserved	Common Shares Converted or Issued in 1969	
		Shares	Amount
25-Year 4¾% Subordinated Notes, $700,000 principal amount convertible at $12.16 per share each year through March 1, 1972	172,697	57,565	$ 700,000
4½% Convertible Subordinated Debentures, convertible at $42.92 per share	7,211	86,330	3,371,000

Notice

To holders of 4½% convertible subordinated debentures, due

June 1, 1984, of Consolidated Electrodynamics Corporation (now Bell & Howell Company)

Under the terms of the indenture agreement, Bell & Howell Company is required to redeem a part of the 4½% Convertible Subordinated Debentures of Consolidated Electrodynamics Corporation on June 1 of each year. Bell & Howell Company may, at its option, redeem additional amounts by giving notice to the Trustee, the Security Pacific National Bank, 124 West Fourth Street, Los Angeles, Californio 90013.

The Trustee is required to publish notices of any calls in certain newspapers. Those debenture holders who fail to see such notices or, for whatever reason, do not elect to convert into Bell & Howell Company Common Shares, within the required time period, lose their rights to convert and must accept cash in accordance with the redemption schedule, which cash amount may be below the market value of the equivalent common shares to which they would have been entitled. The present conversion price is $42.92 principal amount of Debentures for each Bell & Howell Common Share.

Those holders of non-registered or coupon debentures, who wish to receive a personal notice of calls, should write to the Trustee, at the address noted above, and request that copies of future redemption notices be sent to them. Notices of calls will be mailed to registered debenture holders at their registered addresses by the Trustee.

CITY STORES COMPANY

Long Term Debt, other than mortgages not assumed—Note H	
Parent company	$26,133,000
Real estate subsidiaries	11,995,741
	38,128,741
Mortgages not assumed—Note G	1,497,280

Note G: Property and Equipment—Property and equipment are summarized as follows:

	City Stores Company and Retail Subsidiaries	City Stores Company and Consolidated Subsidiaries
Land	$ 3,164,497	$ 11,607,347
Buildings and building improvements	14,495,282	30,119,165
Leasehold costs and improvements	23,880,193	24,423,387
Store fixtures and equipment	33,111,583	35,924,588
Improvements in progress	3,812,710	3,940,270
Total	78,464,265	106,014,757
Less accumulated depreciation and amortization	36,434,075	45,909,502
	$42,030,190	$ 60,105,255

Depreciation and amortization for financial accounting purposes have been computed on a straight-line basis principally over the estimated useful lives of the assets.

Property and equipment include real estate in the net amount of approximately $2,754,000, principally store properties, subject to mortgages not assumed which at January 31, 1970 amounted to approximately $1,914,000. The Company is not liable on the mortgage notes. Two liquidated real estate subsidiaries remain liable on the mortgages.

Note H: Long Term Debt (other than mortgages not assumed)—Long term debt includes $25,000,000 of 6⅛% Promissory Notes due annually in installments of $800,000 from 1971 through 1975, inclusive, and $1,750,000 thereafter until maturity in 1987. The balance of long term debt bearing interest at rates from 5% to 6% is payable $154,000 in 1970 and serially thereafter until 1978.

Underlying loan agreements with respect to notes payable provide, among other things, for (1) the maintenance of minimum consolidated working capital, (2) restrictions on the purchase, redemption or other acquisition of the Company's common stock, and (3) restrictions on the payment of cash dividends on the Company's common stock (approximately $4,100,000 is available for the payment of dividends).

The long-term debt of real estate subsidiaries consisting of mortgages (interest rates from 4¼% to 6½%) is payable $836,000 in 1970 and in varying annual amounts until 1990.

BURLINGTON INDUSTRIES, INC.

	(Dollar amounts in thousands)
Long-term liabilities:	
Long-term debt	$353,065
Other	12,038
Total long-term liabilities	$365,103

Financial Review

Long-Term Debt Increases—Long-term debt not payable within one year increased from $325.0 million in 1968 to $353.1 million at the 1969 fiscal year-end. The increase is principally due to use at September 27, 1969 of $39 million ($3.9 million current, $35.1 million long-term) of the $75 million revolving credit loan negotiated with a group of ten banks in 1968. This compares to use of $6 million of this credit at the end of 1968. Any portion of this revolving credit may be converted into a five-year term loan on February 1, 1970.

The 4½% Swiss bonds are convertible after February 1, 1971 into five common shares of Burlington Industries per S.Fr. 1000 face value (a conversion price of about $46.50 per share). The domestic 5% subordinated debentures are convertible into one share of common stock for each $39.00 principal amount of debentures.

The long-term debt agreements contain various restrictions and conditions. Under the most restrictive conditions, at September 27, 1969, the Company was required to maintain consolidated net working capital of more than $269 million and limit consolidated long-term debt (exclusive of subordinated debt) to approximately $489 million. At September 27, 1969, $260 million of consolidated retained earnings was free of long-term debt restrictions on dividend payments.

The major promissory notes have prepayment privileges and the debentures have redemption provisions at premiums which reduce annually to maturity.

The two tables on this page outline the Company's long-term debt commitments.

Long-term Debt Retirement & Interest Payments *(a)* Ten-Year Projection

Fiscal Year	Total Long-term Debt Retirement (In millions)	Total Long-term Debt Interest (In millions)
1971	21.7	18.2
1972	22.3	16.8
1973	22.5	15.4
1974	22.4	14.0
1975	19.9	12.6
1976	18.8	11.6
1977	22.8	10.6
1978	18.8	9.6
1979	18.1	8.6

(a) Assumes no conversion of 5% convertible subordinated debentures and 4½% convertible Swiss bonds.

	1969	1968
Long-term Debt	(In thousands)	
Burlington Industries, Inc.:		
5.25% promissory notes, due 1978	$ 13,750	$ 15,000
5.75% promissory notes, due 1980	19,500	21,000
5.25% promissory notes, due 1981	28,000	29,400
5.25% subordinated promissory notes, due 1983	21,250	22,500
4.125% promissory notes, due 1989	57,200	57,200
4.70% promissory notes, due 1989	42,800	42,800
4.75% sinking fund debentures, due 1990	50,000	50,000
5.00% convertible subordinated debentures, due 1991	40,000	40,000
Revolving credit/term loan	35,100	6,000
Various promissory notes	461	513
	308,061	284,413
Burlington International, Inc.:		
4.50% convertible Swiss bonds, due 1988	12,497	12,387
5.50% Swiss bonds, due 1983	11,501	11,501
International Subsidiary Companies:		
4.75%—5.25% promissory notes due 1974	6,265	5,940
4.00% debentures, due 1977	3,480	3,480
3.00—4.00% mortgages, due 1981	8,128	4,516
Various promissory notes, due 1971/1979	3,133	2,760
Totals	$353,065	$324,997

BRISTOL-MYERS COMPANY

Long-Term Debt:	
5.70% Sinking Fund Debentures due June 1, 1992	$50,000,000
4½% Guaranteed (convertible) Debentures due December 31, 1980	14,061,000
4⅝% Promissory Notes due annually through May 1, 1984	10,000,000
Other	1,490,246
	$75,551,246

Notes to Consolidated Financial Statements

Long-Term Debt—The 5.70% Sinking Fund Debenture indenture provides that Bristol-Myers shall retire on June 1, in each of the years 1973 through 1991, $2,500,000 principal amount of debentures and may at its option retire up to an additional $2,500,000 or any portion thereof in each of said years, such optional right being non-cumulative. Bristol-Myers may also at its option on not less than thirty nor more than sixty days' notice, redeem debentures as a whole or from time to time in part at an annually declining rate of 105.13% in 1969 to par in 1987 and thereafter.

The terms of the 4⅝% Promissory Note issued by Mead Johnson & Company in 1964 provide for payments of $500,000 annually commencing May 1, 1967, with final payment of $3,500,000 due on May 1, 1984. Additional prepayments of $500,000 without penalty may be made each May 1, such optional right being non-cumulative. Under the terms of the note agreement the payment of dividends is limited essentially to earnings subsequent to December 31, 1963. At December 31, 1969 the amount of Retained Earnings not restricted was approximately $151 million.

The 4½% Guaranteed Debentures due 1980 issued by Bristol-Myers International Finance Company are convertible at principal amount into shares of Bristol-Myers Common Stock, at any time on or prior to December 31, 1980, at a current conversion price of $57.50 per share (a total of 244,541 shares), subject to adjustment as defined in the indenture. The debentures may be redeemed at any time in principal amounts of not less than $1,000,000, at an annually declining rate of 104% in 1970 to par at December 31, 1977 and thereafter, together with accrued interest to date of redemption. In 1969 a total of $939,000 of the debentures were converted into 16,328 shares of Bristol-Myers Common Stock.

THE DUPLAN CORPORATION

Long-term Debt (Note 4):	
Term bank loans	$24,600,000
5½% convertible subordinated debentures	21,338,000
Other long-term debt	16,459,048
Total Long-term Debt	$62,397,048

Note 4: Long-term Debt—	
Term bank loans	$24,600,000(a)
5½% subordinated convertible debentures due February 1, 1994	21,338,000(b)
5% to 7½% deferred payments on acquisitions due through September, 1982	4,918,055
4% to 5% convertible notes due through September, 1982	1,118,000(c)
Noninterest-bearing notes due through June, 1979	2,451,250
4% notes due through April, 1974	2,399,956
Capitalized lease obligations	5,701,249(d)
6½% to 7¾% conditional sales agreements due through March, 1974	2,088,931
Mortgages and other long-term debt	2,594,775
	67,210,216
Less, Current maturities	4,813,168
	$62,397,048

(a) The term bank loans of $24,600,000 at September 30, 1969, represent borrowings from a group of banks under a Term Loan Agreement dated May 20, 1969, which entitles the Corporation to borrow up to $40,000,000 prior to March 31, 1971, with interest at ½% above prime rate (not in excess of 9%, nor less than 6%) and a commitment fee of ¼% per annum of the unused portion of the commitment. The loans outstanding at March 31, 1971, are to be payable in twenty equal quarterly instalments from June 30, 1971.

(b) The 5½% convertible subordinated debentures are convertible at their principal amount into common stock at $50 per share and 426,760 shares of common stock have been reserved for such conversion. The conversion price is subject to adjustment under certain circumstances. The terms of the indenture provide for a sinking fund starting February 1, 1980, to retire annually $700,000 of principal amount of debentures outstanding.

(c) The convertible notes are convertible at various dates at their principal amounts into common stock at prices ranging from $7.50 to $42.50 per share and 37,370 shares of common stock have been reserved for such conversion.

(d) As of April 1, 1969, the Corporation entered into an agreement with Dillon County, South Carolina, to provide a new manufacturing facility near Dillon for the Corporation's use. Under this agreement, the county sold $4,000,000 of its First Mortgage Industrial Revenue Bonds, Series 1969, and the proceeds were used to acquire machinery and equipment and to construct the plant which has been leased to the Corporation. The lease requires semi-annual basic rent payments in amounts sufficient to pay the interest and debt retirement requirements of the Industrial Revenue Bonds. The Corporation has the option to purchase the facility and equipment at any time during the lease period upon payment of an amount sufficient to retire all the then outstanding bonds. In the event this option is not exercised, the Corporation must purchase the project for $1 upon expiration of the lease on October 1, 1988.

The Corporation also leases facilities from the City of Cleveland, Tennessee, and the Lillington Industry Promotion, Inc., Lillington, North Carolina. Both leases have an original term of 20 years which require monthly net basic rental payments in amounts sufficient to pay the interest and debt retirements of the underlying indebtedness. At the Corporation's option, the leases may be extended for the additional terms at a nominal monthly rental.

For financial reporting and tax purposes, these three leases have been treated as purchases of the underlying plants.

(e) The Term Loan Agreement, the 5½% convertible subordinated debentures and the lease agreement with Dillon County each contain certain restrictions relating to working capital, tangible net worth and transactions in the Corporation's own stocks, dividends, etc. As of September 30, 1969, approximately $700,000 of retained earnings was free of these restrictions.

CHEMETRON CORPORATION

Long-Term Debt (less current maturities included above) (Note 4)	$84,666,680

Note 4: Long-Term Debt and Restrictions Arising from Long-Term Debt Agreements—The composition of the long-term debt as of December 31, 1969 and 1968 is as follows:

	1969	1968
Debentures, 9%, payable in annual installments of $1,800,000, commencing August 31, 1975 through August 31, 1993 and $4,550,000 on September 1, 1994	$38,750,000	—
Bank term loans:		
Interest at the rate of ½ to ¾ of 1% over the prime interest rate per annum, payable in semiannual installments of $2,000,000 through June 30, 1973 and $20,000,000 on December 31, 1973	30,000,000	34,000,000
8½%, due in installments to June 30, 1974	500,000	—
Promissory notes:		
9%, due annually to August 1, 1971	2,000,000	3,500,000
9%, due annually to October 1, 1976	1,990,000	2,325,000
6½%, due semiannually to October 1, 1980	540,000	594,000
Subordinated debentures, 5⅛%, due September 1, 1977	980,000	980,000
Lease agreements, due in annual installments through 1990	737,286	797,881
Notes issued on acquisition of businesses at rates from 5%-8% due in installments through 1973	2,752,371	5,195,465
Mortgages, 2%-7%, due in installments through 1994	6,183,658	1,458,710
Other, 6%-7½%, due through 1977	233,365	455,564
Total	$84,666,680	$49,306,620

The terms of the various long-term debt agreements include restrictions on dividends or other distributions on any class of stock, and on the maintenance of minimum amounts of working capital.

At December 31, 1969, retained earnings not subject to the foregoing restrictions approximated $12,440,000.

CONTINENTAL CAN COMPANY, INC.

	(In Thousands of Dollars)
Long Term Debt	$169,289

Notes to Financial Statements

Long Term Debt—

	(In Thousands of Dollars) 1969	1968
3¾% sinking fund debentures due November 1, 1995	$ 39,502	$ 39,502
3¾% promissory notes due November 1, 1995	25,000	25,000
3¾%-4¼% promissory notes due June 1, 1983	888	962
3⅞% debentures due October 15, 1976	7,350	7,800
4% promissory notes due July 1, 1982	16,200	17,550
5% promissory notes due April 1, 1980	24,500	26,600
5⅛% debentures due October 1, 1985	23,834	25,000
Promissory notes due December 15, 1973—variable interest rates, currently 8⅜%-8½%	9,490	—
Promissory notes due June 1, 1976—variable interest rates, currently 9½%-12%	15,400	—
Debt of foreign subsidiary	5,635	—
Miscellaneous	1,490	2,354
	$169,289	$144,768

The Company is required to apply toward retirement of the principal of the indebtedness not less than the following amounts for the period 1970 through 1974: 1970—$10,361,000 (included in current liabilities), 1971—$7,443,000, 1972—$6,389,000, 1973—$15,-261,000, 1974—$5,195,000.

FAIRCHILD HILLER CORPORATION

Long-Term Debt:	
4⅜% convertible subordinated debentures due April 1, 1992 (Note 4)	$29,987,000
Mortgage notes payable, less current maturities of $742,974 and $414,320 (Note 5)	4,107,481
	$34,094,481

Note 4: The Corporation has outstanding $29,987,000 of 4⅜% Convertible Subordinated Debentures, due April 1, 1992. The Debentures are registered, unsecured, and redeemable at the option of the Corporation upon required notice at stated premiums in excess of their principal amount. The Debentures may be surrendered at principal amount for conversion into common stock at $24.375 a share. As of December 31, 1969, 1,230,236 shares of common stock were reserved for conversion of the Debentures.

The Corporation is required by the Indenture to provide for the retirement of $1,500,000 principal amount of the Debentures on April 1st in each of the years 1978-1991 through a Sinking Fund. The Corporation may, at its option, receive credit against Sinking Fund payments for Debentures purchased, redeemed (outside the Sinking Fund), or converted. The Indenture also provides for restrictions on dividends and other covenants which are not any more restrictive than those included in the (bank) Revolving Credit Agreement; antidilution protection; and restriction on the creation of additional debt of equal priority with the Debentures.

Note 5: Mortgage notes payable include a 5½% mortgage note in the amount of $2,900,240, payable quarterly to November 1977, secured by a purchase money mortgage covering certain land and buildings. The remainder of $1,207,241 represents an Installment Payment Agreement for, and secured by, certain equipment, payable monthly through December 1973.

GENERAL ELECTRIC COMPANY

Long-term borrowings	$673,310,000

Financial Summary (page 25)

Long-Term Borrowings

	(In millions) 1969	1968
General Electric Company:		
5.30% Debentures	$189.0	$200.0
5¾% Notes	125.0	125.0
3½% Debentures	119.8	141.0
General Electric Overseas Capital Corporation Guaranteed Bonds and Notes	99.5	112.7
Other long-term borrowings	140.0	170.4
	$673.3	$749.1

Long-term borrowings amounted to $673.3 million at December 31, 1969 compared with $749.1 million at the end of last year as summarized in the table to the right.

General Electric Company 5.30% Sinking Fund Debentures are due May 1, 1992. Sinking fund payments are required beginning in 1973. Debentures outstanding at the end of 1969 amounted to $189.0 million after deduction of reacquired debentures with a face value of $11.0 million held in treasury for future sinking fund requirements. General Electric Company 5¾% Notes are due November 1, 1991. Mandatory prepayments are required beginning in 1972. The Company's 3½% Debentures are due May 1, 1976. Debentures having a face value of $13.9 million, and reacquired at a cost of $13.0 million, were retired during 1969 in accordance with the sinking fund provisions. Debentures outstanding at the end of 1969 amounted to $119.8 million after deduction of reacquired debentures with a face value of $55.3 million held in treasury for future sinking fund requirements.

General Electric Overseas Capital Corporation borrowings are unconditionally guaranteed by General Electric Company as to payment of principal, premium, if any, and interest. Proceeds from these borrowings are being used to help finance the international operations of the Company and its affiliates. The borrowings include the Corporation's 4¼% Guaranteed Bonds due December 1, 1985, in the aggregate principal amount of $50.0 million. The bonds are convertible through November 30, 1975, into General Electric common stock at $131 a share. Sinking fund payments on any debentures not converted are required beginning in 1976. On July 1, 1969, the Corporation elected to prepay its 6¼% Deutsche Mark Notes (equivalent to $25.0 million) which were due July 1, 1971.

Other long-term borrowings represent largely borrowings by foreign affiliates with various interest rates and maturities.

HONEYWELL INC.

Long-Term Debt	$271,510,000

Notes to Financial Statements

Note 3: *Long-Term Debt*—

Honeywell Inc.:	1969	1968
Debentures:		
3.35% due 1971 to 1972	$ 6,810,000	$ 8,277,000
4% due 1971 to 1976	11,811,000	13,744,000
4½% due 1971 to 1986	19,411,000	20,731,000
4¼% due 1971 to 1988	25,500,000	27,710,000
5.60% due 1974 to 1992	60,000,000	60,000,000
Notes:		
5¾% due 1971 to 1978	925,000	1,040,000
4.55% due 1971 to 1990	50,000,000	50,000,000
Subsidiaries:		
Notes 6⅝% due 1971	15,000,000	15,000,000
Debentures 6% due 1971 to 1981	13,625,000	14,330,000
Convertible Debentures 5% due 1983	26,131,000	30,000,000
Bonds 5¾% due 1984	13,722,000	
Other	28,575,000	9,238,000
Total	$271,510,000	$250,070,000

The 5% Convertible Debentures are convertible at principal amount into shares of Common Stock of the Company at any time, at the option of the holder, at a price of $103.25 per share. During 1969, $3,869,000 of Convertible Debentures were converted into 37,436 shares of Common Stock. The difference between the par value of the converted debentures and the Common Stock issued upon conversion totaling $3,807,674 was credited to Additional Paid-in Capital. The Company has reserved 253,121 shares for possible conversion of the Convertible Debentures outstanding at December 31, 1969.

Substantially all the long-term debt may be redeemed prior to maturity at the option of the Company at redemption prices up to 105% of the principal amount.

Annual sinking fund, maturity and prepayment requirements for the next five years on long-term debt outstanding at December 31, 1969 are as follows:

1970 (Included in Current Liabilities)	$ 4,848,000
1971	21,246,000
1972	13,238,000
1973	27,083,000
1974	9,145,000

NEBRASKA CONSOLIDATED MILLS COMPANY

Long-term debt, excluding current installments (Note 5)	$12,936,893

Note 5: Long-Term Debt and Loan Agreements—Long-term debt at June 29, 1969 is summarized as follows:

5.85% unsecured sinking fund notes due in annual installments of $375,000 from 1972 to 1986 and the balance due in 1987 (see Note A below)	$ 6,500,000
6.75% unsecured sinking fund debentures due in annual installments of $150,000 through 1969, $250,000 through 1975 and $375,000 through 1977	2,386,000
6.50% (currently) promissory note in equal quarterly payments of $102,000 and a final payment of $154,000 in 1970 (see Note B below)	460,000
6% promissory note due in annual installments of $280,000 from 1972 through 1981	2,800,000
5% promissory note due in quarterly installments of $50,000 through December of 1969 and $62,500 thereafter	600,000
Life insurance policy loans, secured by cash surrender value of life insurance	333,104
Miscellaneous mortgage notes	606,024
Miscellaneous other long-term notes and obligations	382,337
	14,067,465
Current installments of long-term debt	1,130,572
	$12,936,893

(A) Conditionally guaranteed by Molinos de Puerto Rico, Inc., a wholly-owned consolidated subsidiary.

(B) Molinos de Puerto Rico, Inc. has conditionally guaranteed short-term borrowing of Nebraska Consolidated Mills Company which at June 29, 1969 aggregated $16,000,000. Under terms of the conditional guarantees no sums are payable until the entire principal and interest on the promissory note outstanding at June 29, 1969 and any future borrowings under a $2,000,000 short-term credit line from a certain bank have been paid in full.

NORTH AMERICAN PHILIPS CORPORATION

Long term debt exclusive of current maturities (Note 6)	$54,707,754

Note 6: Long-Term Debt—

	1969
4% Subordinated Debentures, due June 1, 1992 (a)	$31,600,300
5% promissory notes, secured, due $109,278 quarterly to 1984, including interest	4,287,548
5⅜% insurance company loans, due $250,000 annually until 1976	1,750,000
5½% notes payable to banks, due $1,000,000 annually	2,000,000
4.85% promissory notes, due $100,000 annually until 1985	1,600,000
Notes payable to banks at ½% above prime rates	
Obligations under lease-purchase agreements, due in annual installments of approximately $1,600,000 to 1972 and $400,000 thereafter	13,048,661
Convertible subordinated notes of majority-owned subsidiary	
6%, due December 1, 1977	1,534,000
5½%, due November 1, 1972	1,300,000
Other	1,069,083
	$58,189,792
Less current maturities	3,482,038
	$54,707,754

(a) The 4% Subordinated Debentures are subordinated to all other long-term debt of the corporation, and are convertible into common stock on or prior to June 1, 1982 (unless previously redeemed) at a conversion price of $58 a share. At December 31, 1969, there were 544,832 shares of common stock reserved for such conversions. The Debentures are redeemable at the corporation's option, in whole or in part, at any time, at premiums ranging from 3.6% in 1970 to 0.2% in 1987. Beginning in 1983, sinking fund payments, equal to 5% of the principal amount of Debentures outstanding, will be required.

LONE STAR CEMENT CORPORATION

Long-Term Debt	$90,901,419

Notes

Note 4: Long-term Debt—The 4⅞% Sinking Fund Debentures due July 1, 1990 require sinking fund retirements to commence in 1971. The requirement for 1971 has been met by purchases in the open market.

The indentures relating to the Debentures and certain of the Notes and related agreements restrict the amounts of payment of cash dividends, stock repurchases and certain other activities; the amount of retained earnings free of these restrictions at December 31, 1969 was approximately $14,500,000.

The Debentures and certain of the note agreements allow for prepayment of principal at premiums ranging from 5¼% to no premium.

The 5⅛% Convertible Subordinated Debentures due June 15, 1993 are convertible into Common Stock of the Corporation at the rate of 38.462 shares of Common Stock for each $1,000 principal amount of Debentures. The indenture calls for sinking fund retirements to commence in 1979.

Long-Term Debt

	Issued	Maturity	1969
4⅞% Sinking Fund Debentures	1965	1990	$47,018,000
5⅛% Convertible Subordinated Debentures	1968	1993	30,000,000
5⅜% Notes	1961	1971-1976	3,350,000
5.4% Note	1959	1971-1974	1,200,000
5½% Notes	1964	1971-1979	2,517,617
5½% Note	1967	1971-1972	1,075,000
5¾% Note	1966	1971-1986	3,257,290
6% Note	1963	1971-1978	960,000
Instalment purchases	Various	1971-1980	1,523,512
Total long-term debt			$90,901,419

NATIONAL BISCUIT COMPANY

Long-Term Debt	
6½% Guaranteed Debentures, due October 1, 1982	$18,400,000
4¾% Subordinated Debentures, due April 1, 1987	31,930,000
5¼% Guaranteed Convertible Debentures, due March 1, 1988	29,900,000
	$80,230,000

Notes to Financial Statements

Long Term Debt—In 1967 and 1968, the Company, through its wholly owned finance subsidiary, Nabisco International Finance Company, issued debentures in overseas capital markets to finance international expansion. In 1967, $20,000,000 of 6½ per cent Guaranteed Debentures were issued and are subject to redemption through a sinking fund beginning in 1970 at an annual rate of $1,500,000. All or any part of these debentures may be redeemed at that Company's option beginning in 1972 at prices decreasing gradually from 103 per cent of the principal amount to 100 per cent in 1979 and thereafter.

In 1968, $30,000,000 of 5¼ per cent Guaranteed Convertible Debentures were issued. During the past year, $100,000 principal amount of these debentures were converted into 1,980 shares of Nabisco's common stock. The remaining amount outstanding is convertible into 592,080 shares of common stock and will be subject to redemption through a sinking fund beginning in 1979. All or any part of these debentures may be redeemed at Nabisco International Finance Company's option beginning in 1973 at prices decreasing gradually from 104¾ per cent of the principal amount to 100 per cent in 1987 and thereafter.

At any time after April 1, 1972, the 4¾ per cent Subordinated Debentures, issued to retire preferred shares in 1962, may be redeemed at the Company's option at prices decreasing gradually from 104 per cent of the principal amount in April 1972 to 100 per cent in April 1985 and thereafter.

PERFECT FILM & CHEMICAL CORPORATION

Long-Term Debt (not including convertible debt), less current maturities (Note 8)	$12,579,290
Notes Convertible into Equity Securities (Note 10)	65,395,000

Notes to Financial Statements

Note 8: Notes Payable to Banks and Long-Term Debt—Long-term debt (excluding notes convertible into equity securities) at

December 31, 1969 consists of the following:

	Current	Long-term
6% notes to insurance companies, $400,000 due annually beginning 1972	—	$ 4,000,000
6½% mortgage on Culver City studio, monthly payments until May 1, 1987	120,000	3,588,835
Equipment notes payable	864,997	1,310,958
Amounts payable to former owners of businesses purchased	472,752	865,453
6½% first mortgage note, quarterly payments until August 30, 1978	15,941	714,834
Reserve for lease losses on discontinued stores (Note 17)	52,507	600,028
Employment and termination of employment contracts	251,622	426,026
6¼% mortgage, monthly payments until October 1977	14,000	256,757
6¼% serial debenture, annual payments until June 1977	20,000	140,000
Various other	398,143	676,399
	$2,209,962	$12,579,290

Included in notes payable to banks at December 31, 1969, were notes aggregating $14,500,000 originally due December 31, 1969. The due date of these notes has been extended until June 30, 1970. The Company has not complied with certain requirements of the Bank Loan Agreement relating to these bank notes and the Note and Warrant Agreement relating to the 6% notes to insurance companies shown above. The non-compliance related principally to the maintenance of consolidated working capital and consolidated net worth. The banks and insurance companies have waived such non-compliance through June 30, 1970.

Both the bank loans and the 6% insurance notes are secured by the pledge of the capital stock of subsidiaries and the pledge of the notes receivable from the sale of professional film processing facilities (Note 3).

Note 10: Notes Convertible Into Equity Securities—

	December 31, 1969
5% Convertible subordinated notes, due 1968	$49,250,000(a)
5½% Convertible subordinated debentures, due 1979	1,145,000(b)
Notes of Plume & Atwood Industries, Inc. (a subsidiary):	
6% Subordinated notes, convertible into Plume & Atwood or Perfect stock, due 1988	10,000,000(c)
6¾% Senior notes, convertible into Plume & Atwood stock, due $500,000 annually from 1974	5,000,000(c)
	$65,395,000

(a) Of the $49,250,000 of 5% convertible subordinated notes sold in 1968, $26,500,000 are convertible into common shares at $53 per share and $22,750,000 at $64.00 per share. The notes contain no restrictive covenants, require no sinking fund payments and may be prepaid at any time by the Company. In 1968, two parties contracted to purchase $2,000,000 of the Company's 5% Convertible Subordinated Notes (convertible into common shares at $53 per share) and to make payment upon the effective date of a Registration Statement covering the shares underlying the said notes. In April 1970, the purchasers notified the Company of their contention that they were no longer obligated under the original purchase agreement because of the withdrawal on March 3, 1970 of the Company's previously filed Registration Statement. The Company disputes this contention of the purchasers. Because of the uncertainty of the outcome of this dispute, the $2,000,000 subscription receivable and the corresponding liability recorded in 1968, have been removed from the books in 1969.

(b) At December 31, 1969, the conversion ratio (which is subject to antidilution adjustments) of the 5½% convertible subordinated debentures was 23.42 shares of common stock for each $1,000 debenture.

(c) The 6¾% notes are convertible into common shares of Plume & Atwood at $40 per share. The 6% notes are convertible into common shares of Plume & Atwood at $33 per share or may be exchanged for Perfect's common stock at $70 per share until December 25, 1970 and at the lower of $70 per share or the prior 30-day average market value per share of Perfect common stock, from December 26, 1970 to December 31, 1970. If such conversions were made into Plume & Atwood's stock, Perfect's ownership would decrease from 50.3% to 32.6%.

SHELL OIL COMPANY

Long Term Debt	$711,508,000

Notes to Financial Statements

Note 7: Long Term Debt—

Shell Oil Company	
Twenty-five Year 2½% Debentures, due 1971, after deducting $5,486,000 of debentures held in treasury	$ 31,504,000
4⅝% Sinking Fund Debentures Due 1986, after deducting $9,996,000 of debentures held in treasury	175,004,000
4½% Notes due 1990	150,000,000
5% Debentures Due 1991	150,000,000
5.30% Debentures Due 1992	150,000,000
Shell Pipe Line Corporation	
7½% Guaranteed Sinking Fund Debentures Due 1999	60,000,000
	716,508,000
Less amounts included in Current Liabilities as due within one year	5,000,000
	$711,508,000

Of the foregoing long term debt due after one year, $41,508,000 will be due in 1971 and $25,000,000 in each of the years 1972 through 1974, inclusive.

SPERRY RAND CORPORATION

Long-Term Debt:	
5½% Sinking fund debentures, due September 1, 1982	$ 78,233,000
3⅝% Sinking fund debentures, due February 1, 1972	35,000,000
3⅛% Sinking fund debentures, due June 1, 1969	6,200,000
3⅞% Promissory notes, due November 1, 1974	20,000,000
Term bank loans	52,000,000
Mortgages and other long-term debt	8,193,809
Total Long-Term Debt	$199,626,809

Notes to Financial Statements

Long-Term Debt—Annual sinking fund payments are required as follows: 5½% Debentures, $4,500,000; 3⅝% Debentures $2,000,000. The 3⅞% notes are due in quarterly instalments of $1,250,000 beginning February 1, 1971. The 3⅛% Debentures, due June 1, 1969, will be refinanced with term bank loans. Purchases of 5½% Debentures in the principal amount of $4,767,000 have been applied against sinking fund payments due September 1, 1969 and 1970.

The term bank loans of $52,000,000 at March 31, 1969 are under a credit agreement dated March 20, 1968 which provides for borrowings of up to $125,000,000 until June 30, 1971, at which time the aggregate amount of borrowings shall be payable in sixteen quarterly instalments beginning September 30, 1971. Up to June 30, 1971, interest is at the prime rate and thereafter will be at the prime rate plus ¼ of 1%.

STOKELY-VAN CAMP, INC.

Long-term debt (Note 3)	$14,263,599

Note 3: Long-term debt at May 31, 1969, exclusive of amounts due within one year included in current liabilities, consists of the following:

Notes payable to banks*	$10,000,000
4¼% Convertible Subordinated Debentures, due March 1, 1982**	3,330,000
Other	933,599
	$14,263,599

*The $10,000,000 notes payable to banks are borrowings under a credit agreement permitting the Company to borrow up to $25,000,000 at prime interest rates (7½% at May 31, 1969). On or before the expiration date of the agreement, December 31, 1971, the Company may convert all or any part of the loan balances to term loans due $1,562,500 quarterly beginning March 1, 1972, bearing interest at ¼% in excess of the prime rate.

**The 4¼% debentures are convertible into common stock of the Company at the rate of 1 share for each $26.87 principal amount of debentures through March 1, 1972, and $31.61 there-

after through March 1, 1982. The conversion rates are subject to adjustment under certain anti-dilution provisions of the Indenture.

Agreements relative to the Company's long-term debt, among other things, restrict payment of cash dividends on capital stock. Consolidated retained earnings unrestricted as to payment of cash dividends at May 31, 1969 was $5,500,000.

SWIFT & COMPANY

Long-term debt—Note 7 .... $173,039,000

Note 7: *Long-term Debt*—The sinking fund requirements and maturities with respect to the long-term debt for the five years after November 1, 1969, are $9,776,000 in 1970, $14,784,000 in 1971, $21,982,000 in 1972, $10,165,000 in 1973, and $10,800,000 in 1974.

Amounts due after one year are as follows:

Twenty-five year debentures:	1969	1968
6.30%, due 1973-1992	$ 50,000,000	$ 50,000,000
4⅞%, due to 1986	25,200,000	26,400,000
4¾%, due to 1983	36,000,000	38,000,000
2⅝%, due to 1972	13,500,000	16,877,000
Promissory notes, 4.95%, due 1976	15,000,000	15,000,000
Bank notes, 5¾% and 6½%, due to 1971	9,000,000	13,000,000
Lease-purchase contracts, 3½% to 5⅞%, due serially to 1992	15,886,000	13,381,000
Bank mortgage notes, 5½% and 6½%, due 1970	—	5,209,000
Bank notes, currently 8¾%, due to 1973	4,300,000	—
Other, 4½% to 7%, due to 1986	4,153,000	4,273,000
	$173,039,000	$182,140,000

TRW INC.

(Thousands of Dollars)

Long-Term Debt—excluding current portion—Note D $273,195

Notes to Financial Statements

Note D: *Long-term Debt*—

	1969	1968
Notes payable to banks	$117,431,000	$ 74,443,000
3¼% Debentures due 1971	5,472,000	5,687,000
5¼% Debentures due 1986	19,622,000	20,868,000
5½% Debentures due 1992	50,000,000	50,000,000
5% Trust-deed notes due 1982	5,600,000	5,950,000
5% Guaranteed Debentures due 1988*	10,000,000	10,000,000
7¼% Guaranteed Debentures due 1983	19,000,000	19,500,000
7½% Bearer Bonds due 1984	21,840,000	—
Other	24,230,000	14,529,000
Totals	$273,195,000	$200,977,000

*Each $100 principal amount is convertible into 1.905 shares of Common Stock.

Notes payable to banks include $72,000,000 borrowed from domestic sources under a credit agreement which provides for maximum borrowings of $105,000,000 with interest at prime commercial rates. Borrowings thereunder outstanding at February 25, 1972, will be payable in four equal annual installments beginning February, 1973, with interest at prime commercial rates plus ¼%. Also included in notes payable to banks are loans from foreign sources amounting to $44,722,000 most of which bear interest at rates ranging from 6½% to 12⅜%, and mature in 1971 and 1972.

In January, 1970, the Company sold $50,000,000 principal amount of 8¾% Notes due 1975. The proceeds therefrom were used to reduce borrowings outstanding under the credit agreement referred to in the preceding paragraph.

The aggregate maturities and sinking fund requirements of long-term debt for the next five years, exclusive of $72,000,000 of revolving credit notes and after deducting the principal amount ($4,211,000) of debentures purchased in anticipation of sinking fund requirements, are: 1970—$10,399,000; 1971—$13,058,000; 1972—$40,236,000; 1973—$9,117,000; 1974—$9,386,000.

Among other covenants, the indentures and other long-term loan agreements impose limitations on the payment of dividends. Under the most restrictive interpretation of these limiting covenants, retained earnings of approximately $40,400,000 were unrestricted at December 31, 1969.

R. J. REYNOLDS TOBACCO COMPANY

Long-term debt (less current maturities)—Note D $274,031,238

Note D (in part): *Long-Term Debt*—Long-term debt consists of the following:

	December 31, 1969		
	Total	Due Within One Year	Due After One Year
2½% Promissory Note, due October 1, 1972	$ 6,000,000	$ 2,000,000	$ 4,000,000
3% Debentures, due October 1, 1973 (reduced by $5,000,000 of such debentures held by the Company on December 31, 1969 and 1968 for future sinking fund requirements)	23,000,000	—	23,000,000
7% Subordinated Debentures, due June 1, 1989	15,849,200	—	15,849,200
7⅞% Debentures, due September 1, 1994	100,000,000	—	100,000,000
8⅛% Notes, due September 1, 1974	50,000,000	—	50,000,000
Equipment obligations (6% to 8½%) secured by liens on containers and equipment, having a net book value of approximately $122,000,000, payable in monthly installments through 1977	101,887,000	21,264,878	80,622,122
Other indebtedness	690,116	130,200	559,916
	$297,426,316	$23,395,078	$274,031,238

Payment schedule of debt due after one year:

Due in:	
1971	$ 28,549,027
1972	28,133,408
1973	25,825,447
1974	58,642,631
1975 and thereafter	132,880,725
	$274,031,238

SCOA INDUSTRIES, INC.

Long-Term Debt, less current installments (Note 4):

General corporate $13,032,000

Leasing subsidiary 11,516,000

Note 4: Long-term debt at January 31, 1970 consisted of the following:

General corporate notes payable	Due Dates	Installments Due in 1970	Subsequent Maturities
4%	1975	$ 200,000	$ 925,000
5¾%	1979	375,000	3,562,000
5½%	1981	150,000	1,725,000
5¼%	1984	390,000	5,745,000
4⅝% (Subordinated)	1975	125,000	625,000
4¾% (Subordinated)	1976	75,000	450,000
		$1,315,000	$13,032,000
Leasing subsidiary obligations:			
5¼% to 9½% equipment promissory notes	1970-1977	$1,228,000	$ 4,590,000
5% to 8½% mortgages payable on land and buildings	1970-1984	737,000	6,926,000
		1,965,000	11,516,000
		$3,280,000	$24,548,000

The long-term general corporate note agreements contain certain restrictive provisions with respect to the payment of dividends (except stock dividends) or the acquisition of the Company's outstanding common stock. At January 31, 1970, under the most restrictive agreements, $6,800,000 of consolidated retained earnings was free of such restrictions.

USM CORPORATION

Long-term debt (Note E):

5¾% sinking fund debentures due 1962	$25,000,000
5½% loan payable	13,920,000
Notes and mortgages less current maturities	1,981,000
Total long-term debt	$40,901,000

Note E: Long-Term Debt—The 5¾% debentures are redeemable through purchase at prices decreasing from 105.24% of face value currently to 100% in 1988, or sinking fund redemptions of $1,250,000 to $2,500,000 on June 15, 1973 and on each June 15 thereafter, at 100% of face value. The indenture contains restrictive covenants which provide, among other things, for certain restrictions on the payment of cash dividends or acquisition of common stock. The amount of consolidated retained earnings free of such restrictions at February 28, 1969 was approximately $23,243,000.

Bonds representing the 5½% loan were issued in December 1968 by USM International Finance Corporation, a wholly-owned subsidiary, to finance the company's international operations. The loan, guaranteed in full by the company, is payable by the subsidiary in five annual installments of 12,000,000 Swiss francs (currently approximating $2,784,000) from 1980 to 1984. The subsidiary has the option to prepay the installments at prices decreasing from 104% of par value in 1972 to 101% in 1979.

Notes and mortgages consist principally of a $1,000,000 6% note, payable by a subsidiary in installments from 1970-1982 and miscellaneous long-term notes and mortgages, approximating $916,000 payable 1970-1974 at interest rates ranging from 5.0% to 7.5%.

In April 1969 the company negotiated a revolving credit agreement with certain banks providing for up to $12,000,000 of borrowings for a two-year period with interest fixed at the prime rate. The agreement contains restrictive covenants which provide, among other things, for the maintenance of consolidated working capital of at least $75,000,000.

UNITED FOODS, INC.

Other Liabilities:

Long-term debt	$8,639,642

Notes to Consolidated Financial Statements

Note 5: Long-Term Debt—

(A) Long-term debt less current maturities at February 28, 1969, was as follows:

6% Convertible subordinated notes due in 1982	$ 2,400,000
6½% Convertible subordinated notes due in 1983	2,500,000
6% Mortgage notes due to 1982	682,193
6% Notes secured by stock of a wholly owned subsidiary due to 1972	1,000,845
6¼% Mortgage notes due to 1978	305,300
6½% Mortgage notes due to 1981	638,928
6½% Notes secured by stock of a wholly owned subsidiary due to 1970	129,820
7¼% Unsecured note due to 1972	75,672
7½% Mortgage note due to 1980	511,800
8% Unsecured notes due to 1971	377,778
7¾% Mortgage notes due to 1974	41,000
Purchase obligations payable in installments to 1975	1,515,123
	$10,178,459
Less current maturities	1,538,817
	$ 8,639,642

The terms of issue of the convertible subordinated notes include certain negative covenants which provide, among other things, restrictions on the incurrance of additional funded indebtedness. The restrictions are such that as of February 28, 1969, the company was precluded from incurring any additional funded debt.

Certain matured installments of the 8% unsecured notes have not been paid. Such installments including interest total $27,260 as of February 28, 1969. The holders of these notes have not taken action with respect to such nonpayment.

(B) The company also defaulted on the semi-annual installments amounting to $184,932 and interest of $50,404 due August 1, 1968, and February 1, 1969, on 6% notes payable aggregating $1,000,845 which are collateralized by the stock of the company's wholly owned subsidiary Trappe Frozen Foods Corp. On December 21, 1968, the noteholders agreed to withhold their remedies until April 1, 1969, without further payment of principal or interest and that on April 1, 1969 they would agree to either:

Accept the August 1968 and February 1969 semi-annual installments and reinstate the notes according to their original tenor; or

Demand full payment of all sums owing under the terms of the notes by not later than April 15, 1969.

In letters, dated June 12 and 13, 1969, the holders of these obligations advised the company of their demand for full payment of all sums owing not later than July 2, 1969, or if such payment is not made, they will proceed against the collateral and exercise such other rights as they consider they may have. As of July 3 such payment had not been made and the company had not received notice as to their intentions with respect to any actions contemplated by them.

Trappe Frozen Foods Corp. and its subsidiaries represents approximately $860,000 of the net assets on the company's consolidated balance sheet at February 28, 1969. During the year, Trappe contributed $191,558 of income before taxes to the company's consolidated operations.

CREDIT AGREEMENTS

Loan commitments from banks or insurance companies for future loans, or extension or refinancing of existing loans were reported by 176 companies as shown by the summary in Table 2-42. A commitment fee on the unborrowed portion of a loan commitment was reported by 18 companies.

ADDRESSOGRAPH MULTIGRAPH CORPORATION

Long-Term Debt (Note 2):

4¾% convertible guaranteed debentures	$15,000,000
Other long-term debt	57,847,000
	$72,847,000

Note 2: Under the provisions of the 4¾% Convertible Guaranteed Debentures due 1988, 187,500 shares of the unissued common stock of the Company are reserved at July 31, 1969 for conversion at $80.00 per share. Sinking fund payments of $1,500,000 in cash or debentures are due 1983 through 1987 annually with the balance payable in 1988.

Other long-term debt at July 31, 1969 comprised: $44,200,000 at prime interest rate (7½%) at the time of borrowing, under a revolving credit agreement convertible on December 1, 1969 into a 4-year term loan and which requires the company to maintain $100,000,000 in net current assets; and $13,647,000 of other debt, at various interest rates due 1970-1983.

TABLE 2-42: CREDIT AGREEMENTS

Type of Agreement	1969	1968
Revolving credit	111	120
Other	76	61
Total	187	181
Number of Companies:		
Disclosing credit agreement	176	164
Not disclosing such agreement	424	436
Total	600	600

THE ANACONDA COMPANY

Long-Term Debt due after one year (Note F) $305,571,000

Note F (in part): *Long-Term Debt and Commitments*—The Company has arranged with a group of New York banks for a revolving credit in the amount of $100 million, of which $42 million was outstanding at December 31, 1969. This indebtedness is represented by notes which are payable in eight equal semi-annual installments beginning October 1, 1971 and which bear interest at the prime commercial rate in effect from time to time until March 31, 1971, and thereafter at ¼% above the prime commercial rate. The Company also has a Euro-dollar revolving credit in the amount of $40 million at prevailing interest rates, of which $26.5 million had been borrowed at December 31, 1969.

During 1969, subsidiaries of the Company operating in Chile increased their borrowings under the $58.7 million loan agreements negotiated with the Export-Import Bank of the United States in 1967 to $56.1 million. The Export-Import Bank has consented to the assumption of $37.7 million of this indebtedness by the two newly-formed Chilean companies.

THE BABCOCK & WILCOX COMPANY

Current Liabilities:

Notes payable (Note 5)	$86,339,851
Noncurrent Indebtedness (Note 5)	$56,000,000

Note 5: Consolidated obligations consisted of the following:

	1969	1968
Current:		
Commercial paper	$ 21,613,000	$ —
Line of credit	55,000,000	—
Other	9,727,000	6,761,000
	86,340,000	6,761,000
Noncurrent:		
Bank loan agreement	46,000,000	75,000,000
Notes payable	10,000,000	12,200,000
	56,000,000	87,200,000
	$142,340,000	$93,961,000

The Company has the option to borrow at prime rate up to an aggregate of $150,000,000 from several banks under a bank loan agreement or on a line of credit. At December 31, 1969, $101,000,000 of this amount, as shown above, was borrowed. The outstanding amounts borrowed under the bank loan agreement are convertible upon election of the Company prior to December 31, 1970 into term loans payable quarterly over a 48 month period with interest at ¼ of 1% in excess of the then prime rate.

Certain of the agreements contain, among other things, requirements as to consolidated working capital, as defined, and dividend declarations. At December 31, 1969, all such requirements have been met.

THE BOEING COMPANY

Current Liabilities:

Notes payable to banks—Note 3	$148,253,000
Current portion of long-term debt	39,952,000
Long-Term Debt, less current portion—Note 3	632,467,000

Note 3: *Notes Payable and Long-Term Debt*—Short-term notes payable aggregating $146,300,000 are payable to a group of banks under agreements providing a line of credit which currently aggregates $359,000,000. The notes bear interest at the prime commercial bank rate (currently 8½%). In addition, commitment fees of ¼% to ½% are charged for the unused portion of the credit line.

Long-term debt consists of the following:

	December 31, 1969	1968
Revolving Credit notes	$209,000,000	$200,000,000
Term Loan and Credit Agreement	225,929,000	
6⅜% notes payable	175,000,000	175,000,000
5% notes payable	39,000,000	41,750,000
5% Sinking Fund Debentures	18,394,000	21,583,000
Other notes	5,096,000	46,849,000
Less current maturities	(39,952,000)	(14,690,000)
	$632,467,000	$470,492,000

Under a Revolving Credit Agreement with a group of banks, the outstanding balance at December 31, 1970 is payable over the three-year period ending December 31, 1973. These notes bore interest at the prime rate until December 31, 1969, and thereafter at ¼% above such rate. Borrowings under the agreement may be prepaid at any time without penalty.

During the year Boeing Financial Corporation, a wholly-owned subsidiary, entered into a Term Loan and Credit Agreement with a group of banks. At December 31, 1969, additional credit of $20,000,000 is available under the agreement. The collateral for the balance outstanding at December 31, 1969 is limited to $250,231,000 of notes receivable and $57,291,000 of leased aircraft included in the consolidated balance sheet. The notes evidencing the loan are payable in quarterly installments aggregating $8,036,000 until September 30, 1970 and increasing thereafter. The notes bear interest at ¼% above the prime rate prior to July 1, 1972 and thereafter at ½% above such rate.

The 6⅜% notes, maturing in 1986, are payable to a group of institutional lenders. Required annual sinking fund payments commencing in 1971 are $10,750,000.

The 5% notes, maturing in 1983, are payable to an insurance company in annual installments of $2,750,000.

Sinking fund requirements under the 5% Sinking Fund Debentures, due in 1978, are $2,700,000 annually. Debentures aggregating $2,706,000 have been reacquired and may be applied against future sinking fund requirements.

The other notes bear interest at 6% to 8%, and are payable in installments over various periods through 1977.

The company has complied with all of the restrictive covenants contained in the various debt agreements.

BURROUGHS CORPORATION

Current Liabilities:

Notes payable within one year	$251,460,289
Current maturities of long-term liabilities	2,966,200

Notes to Consolidated Financial Statements

Note 3: *Notes Payable Within One Year*—Notes payable at December 31, 1969 were as follows:

Under the revolving credit agreement	$127,750,000
Commercial paper	87,800,000
Loans of subsidiaries outside the United States	35,910,289
Total	$251,460,289

In 1969, the Company amended its revolving bank credit agreement with 33 U.S. banks to provide additional credit of $75,000,000, increasing the total amount the Company may borrow up to $250,000,000, on 90-day notes. Interest on the notes is payable at the prime commercial rate of the agent bank and a commitment fee on the unused credit is payable at ¼% on the original $175,000,000 and ½% on the additional credit of $75,000,000. The loan agreement runs to December 15, 1970 and the Company is required thereunder to maintain consolidated working capital at not less than $100,000,000.

CYCLOPS CORPORATION

	(In thousands)
Long-term debt	$49,350

Notes to Financial Statements

Long-Term Debt—

Payable to insurance companies:		
5⅝% notes, payable $1,500,000 annually through 1980 and $4,000,000 in 1981	$20,500	$22,000
5¼% note, payable $300,000 annually through 1977 and $500,000 in 1978	2,900	3,200
6⅝% notes	19,000	7,500
Payable to banks:		
4¾% notes, payable in quarterly instalments of $875,000	12,250	15,750
	54,650	48,450
Less portion included in "Notes payable within one year"	5,300	5,300
	$49,350	$43,150

The 6⅝% notes represent amounts borrowed from two insurance companies under loan agreements which specify that the Company will borrow an additional $12,000,000 in 1970 at the same interest rate. The agreements provide that $5,900,000 of the $12,000,000 must be used to prepay, in part, debt presently outstanding. These loans are to be repaid in instalments of $3,100,000 in each of the years 1972 through 1981.

The loan agreements contain, among other things, provisions regarding maintenance of working capital and payment of cash dividends. Working capital at December 31, 1969 was substantially

in excess of the minimum requirement, and the amount of retained earnings available for payment of cash dividends at that date was $13,628,000.

HAMILTON WATCH COMPANY

Notes to Consolidated Financial Statements

Note 3: *Long-Term Debt*—Details of long-term debt outstanding at January 31, 1970 are as follows:

Notes payable to banks:	Current	Long-Term
5¼% due February 1, 1970	$500,000	
Under revolving credit agreement		$12,000,000
Notes payable to insurance companies, due February 1, 1971 through 1979, in equal installments		4,500,000
Note and mortgage indebtedness of foreign subsidiaries	302,450	1,429,495
	$802,450	$17,929,495

The Company has a revolving credit agreement with several banks providing for loans up to an aggregate of $12,000,000. On March 4, 1970, the maturity date under the agreement was extended to February 28, 1971. The loans made pursuant to this agreement are evidenced by ninety-day notes bearing interest at the rate of ½ of 1% above the prime commercial rate (the effective rate at January 31, 1970 was 9%). In addition, the agreement provides for a fee of ½ of 1% on any unused portion of the total commitment.

During the existence of the revolving credit agreement, the insurance company notes bear interest at a rate per annum equal to the greater of (1) 5¾% or (2) the rate applicable to the revolving credit notes. Upon termination of the revolving credit agreement, the insurance company notes bear interest at the rate of 5¾%.

Loan agreements applicable to the aforementioned debt (other than debt of foreign subsidiaries) provide, among other things, that (1) consolidated net working capital, as defined, must be at least $27,000,000; (2) consolidated current assets, as defined, must be at least 275% of consolidated current liabilities; and (3) unsecured short-term borrowings may not exceed $1,000,000 (exclusive of borrowings of foreign subsidiaries) for 30 consecutive days during the preceding 12 months; however, the Company has obtained waivers from the lenders which increased this limit to $6,500,000 until March 31, 1970. In connection with the extension of the maturity date under the revolving credit agreement (described hereinbefore), the Company has also agreed, among other things, (1) not to pay cash dividends or purchase any of its outstanding capital stock (except as provided for future issuance under stock options); (2) to limit expenditures for fixed assets in the fiscal year ended January 31, 1971 to $1,500,000 (in addition to $600,000 previously committed) and (3) to treat the proceeds from any sale of its marketable securities as prepayments under the revolving credit agreement. Accordingly, for comparative purposes, marketable securities have been reclassified as noncurrent assets in the balance sheet at January 31, 1969, and in the statement of source and disposition of working capital for the year then ended. Additional principal payments may be made without premium on the revolving credit notes whereas a premium is payable if the Company prepays any portion of the insurance company notes.

HAZELTINE CORPORATION

Current Liabilities:

Note payable to bank (Note 6)	$4,000,000

Note 6: The Company has a revolving loan agreement with the Franklin National Bank pursuant to which the Company may borrow from time to time before December 1, 1970, for its general working capital, should it be required, amounts which could aggregate but not exceed $8,000,000 outstanding at any one time. There were borrowings of $4,000,000 outstanding as at December 31, 1969. Interest is payable monthly on the unpaid principal balance at the rate of 1% per annum in excess of the Bank's prime commercial loan rate for short-term borrowings. A commitment fee is also payable monthly at the rate of ¼ of 1% per annum applied to the average daily amount of the unborrowed portion of the $8,000,000. All borrowings under the agreement are to be repaid on or before December 1, 1970, and during the term of the agreement the Company is required to maintain consolidated working capital of not less than $10,000,000. As security for its obligations under the agreement, the Company has assigned and pledged to the Bank, all its interest in and to the proceeds arising out of substantially all of Hazeltine Corporation's present and future contracts for materials and services with customers. Accounts receivable at final or preliminary prices amounting to $10,170,546 at December 31, 1969 and $6,352,957 at December 31, 1968 were subject under the agreement to a security interest of the Bank to the extent of the obligation of the Company to the Bank.

MOHASCO INDUSTRIES, INC.

Long-term debt:	*(In thousands)*
Revolving term loans	$21,000

Notes to Consolidated Financial Statements

Note 4: *Long-term Debt*—The twenty-year 5.15% promissory note is payable in annual installments of $1,650,000, with a final payment of $1,950,000 on March 15, 1985. The company may prepay the note at any time at premiums declining from 4.10% to no premium in 1982.

During the last quarter of 1969, Mohasco borrowed $21,000,000 on short-term notes, bearing interest at the prime rate, under a Revolving Credit and Term Loan Agreement. Under the agreement, Mohasco is entitled to borrow, repay and reborrow up to $24,000,000 to October 31, 1971 and to convert the amount then outstanding to four-year term notes, bearing interest at the prime rate plus ½ of 1%. The term notes will be payable in eight consecutive semi-annual installments beginning June 30, 1972; the first and second installments will be equal to one-sixteenth of the note and the remaining installments equal to seven-forty-eighths of the note.

The notes described above contain restrictive covenants with respect to the payment of dividends (other than dividends in the company's own stock) and purchase and redemption of its own stock. At January 1, 1970 $5,000,000 of retained earnings is free from the most restrictive of these covenants.

Other long-term notes are payable by certain subsidiaries over various periods extending through 1985.

OUTBOARD MARINE CORPORATION

Long-term debt, net of current maturities and sinking fund requirements included above (Note 2)	$45,724,000

Note 2: *Long-Term Debt*—Long-term debt, net of current maturities and sinking fund requirements included in current liabilities at September 30, 1969 and 1968, are:

	1969	1968
Revolving credit notes with variable interest rate (currently 8½%), convertible January 1, 1971, to term notes due in varying semiannual installments to December 31, 1974	$35,000,000	$17,000,000
4¼% note due in 1976 with semiannual sinking fund requirements of $250,000	2,750,000	3,250,000
5% notes due in 1982 with fixed sinking fund payments of varying annual amounts	7,600,000	7,950,000
Other mortgages and notes	374,000	464,000
	$45,724,000	$28,664,000

Under the revolving credit agreement at September 30, 1969, the company has borrowed $35,000,000 which is the authorized amount. This agreement provides, among other things, for a commitment fee of ¼% on any unborrowed balance, and that defined net working capital of $50,000,000 and a working capital ratio of two-to-one shall be maintained.

The loan agreements covering the 5% and 4¼% notes contain, among other things, restrictions on the payment of cash dividends, capital distributions and purchase, redemption or retirement of shares of common stock. Under the terms of these agreements, $48,310,000 of the consolidated accumulated earnings employed in the business was restricted as of September 30, 1969.

QUAKER STATE OIL REFINING CORPORATION

1969 Financial Review (*pages 15 and 16*)

At December 31, 1969, the Company's only outstanding long-term debt was a $10 million note dated June 7, 1967. This obligation carries an interest charge, payable semi-annually of 5¾%, and is repayable as to principal in equal annual installments from 1971 through 1986. The Loan Agreement contains restrictions with respect to, among other things, increasing indebtedness, guaranteeing indebtedness of others and acquiring investments.

On August 1, 1969, the Company executed a Credit Agreement with two banks which provides for loans to the Company at ¼ of 1% over prime rate until December 31, 1971, in amounts not to exceed $15 million outstanding at any one time, with a commitment fee of ½ of 1% per annum on the unborrowed portion. Any borrowing under this agreement may be converted on the above date to a five-year term loan repayable in twenty equal quarterly installments. A five-year term loan under this agreement would carry interest costs of ½ of 1% over the prime rate. The Credit Agreement also provides for a minimum working capital

maintenance and restrictions on sale and leaseback transactions and long-term lease commitments to stated limits.

Under these agreements, cash dividends may not be paid or capital stock purchased if such action would reduce retained earnings or working capital below stipulated amounts. At December 31, 1969, $7.1 million were available for these purposes.

ROHM AND HAAS COMPANY

Long-term debt	$36,565,000

Notes to 1969 Consolidated Financial Statements

Note 3: Due to Banks and Long-Term Debt—Long-term debt consists of the following:

Borrowings under revolving credit and term loan agreement due 1973 (interest rate December 31, 1969—8½%) (a)	$20,000,000
8% note payable, due 1979 (b)	15,000,000
Other	1,565,000
	$36,565,000

(a) A revolving credit and term loan agreement with a group of banks entitles the company to borrow up to $50,000,000 at any time prior to January 2, 1973. In addition, revolving credit and loan agreements entitle the company to borrow Eurodollars up to $20,000,000 at any time prior to December 31, 1970, $30,000,000 thereafter to March 31, 1972, and declining amounts through December 31, 1975. These agreements require the company to maintain consolidated net working capital of not less than $60,000,000 and place restrictions on the pledging of company assets. At December 31, 1969, $28,700,000 of loans were outstanding under the above agreements, of which $8,700,000 is classified as a current liability.

(b) During the year the company and a foreign subsidiary entered into agreements with a foreign corporation and its United States subsidiary providing for parallel loans of $15,000,000 with similar terms. The loan payable by the company's subsidiary is included in long-term debt and the loan receivable of the company is included in other assets.

STUDEBAKER-WORTHINGTON, INC.

Long-Term Debt (Note 2):	
Parent revolving bank credit	$31,000,000

Note 2 (in part): The revolving bank credit of the Company, as amended in 1969 at its request, provides $100,000,000 of domestic loans available to the Company through 1973 with a reduction to $80,000,000 through 1974. The interest rate is ¼% above fluctuating prime rate. The unused portion of such credit bears a commitment fee of one-quarter of 1% per annum. The Company also reduced its available revolving Eurodollar bank credit from $30,000,000 to $10,000,000.

WESTINGHOUSE ELECTRIC CORPORATION
Financial Review (page 31)

Short Term Bank Loans—At year-end, the Corporation had borrowed $209.6 million under several credit arrangements, including a credit agreement with 12 major banks permitting the Corporation to borrow up to $300 million at the prime commercial rate and requiring payment of a fee of ¼ of one per cent on the average daily unused portion of the commitment. The agreement permits conversion of revolving credit loans on July 28, 1971 to term loans, one-third payable in each of years 1972, 1973 and 1974 to bear interest at ¼ of one per cent per year greater than the prime commercial rate. At December 31, 1969, $87 million was borrowed under this agreement. Other short term credit arrangements bear interest at not more than the prime commercial rate.

LONG-TERM LEASES—Disclosure by Lessees

Opinion No. 5, Reporting of Leases in Financial Statements of Lessee, released in September 1964 by the Accounting Principles Board of the American Institute of Certified Public Accountants, "sets forth the Board's views as to proper procedures or methods for implementing generally accepted accounting principles governing accounting for assets and liabilities and income and expense with respect to leases and sale and leasebacks. . . . This Opinion makes no distinction between leases of real property and leases of personal property. Because of the highly specialized problems involved, this Opinion does not apply to agreements concerning natural resources such as oil, gas, timber and mineral rights."

Opinion No. 5 distinguishes between executory type contracts for the rental of property and lease agreements which "are essentially equivalent to installment purchases of property." As to executory type contracts, paragraph 14 states, "Leases of this type involve future rights and obligations, however, and pertinent information should be disclosed as described in paragraphs 16, 17 and 18. In the opinion of the Board, disclosure rather than capitalization is the correct accounting treatment of these leases."

> 16. The Board believes that financial statements should disclose sufficient information regarding material, noncancelable leases which are not recorded as assets and liabilities (see paragraphs 13 and 14) to enable the reader to assess the effect of lease commitments upon the financial position and results of operations, both present and prospective, of the lessee. Consequently, the financial statements or the accompanying notes should disclose the minimum annual rentals under such leases and the period over which the outlays will be made.
>
> 17. In many cases, additional disclosure will be required. The Board believes that rentals for the current year on leases covered by this Opinion should be disclosed if they differ significantly from the minimum rentals under the leases. Type or types of property leased, obligations assumed or guarantees made, and significant provisions of lease agreements (such as restrictions on dividends, debt, or further leasing or unusual options) are examples of other types of information which should also usually be disclosed.
>
> 18. The specific details to be disclosed and the method of disclosure will vary from one situation to another depending upon the circumstances. In many cases, a simple statement will suffice. In more complicated situations, more detailed disclosure will be appropriate. For example, it may be useful to provide a schedule of rentals by years or by three- or five-year periods if annual rentals will fluctuate significantly; or it may be desirable to provide a brief description of the basis for calculating the rental if the amount of rent is dependent upon some factor other than the lapse of time; or it may be necessary to indicate the effect of lease renewals in order to avoid misleading implications.

When the lease is in substance an installment purchase of property, paragraph 9 of *Opinion No. 5*

states, "The property and the related obligation should be included in the balance sheet as an asset and a liability, respectively, at the discounted amount of the future lease rental payments, exclusive of payments to cover taxes and operating expenses other than depreciation. Further, in such cases, it is appropriate to depreciate the capitalized amount for property over its estimated useful life rather than over the initial period of the lease." Paragraphs 10, 11, and 12 of *Opinion No. 5* set forth criteria for identifying a lease agreement as an installment purchase of property.

Special attention was given by the Accounting Principles Board in *Opinion No. 5* to sale-and-leaseback transactions. The Board indicated that the principal details should be disclosed in the originating year, that other provisions of *Opinion No. 5* apply when pertinent, and, except for rare situations discussed in paragraph 21, that "material gains or losses resulting from the sale of properties which are the subject of sale-and-leaseback transactions, together with the related tax effect, should be amortized over the life of the lease as an adjustment of the rental cost (or, if the leased property is capitalized, as an adjustment of depreciation)."

Table 2-43 shows that the number of companies disclosing long-term lease agreements has continued to increase. There were 17 companies disclosing sale-and-leaseback transactions. Examples of lease agreement disclosures follow.

TABLE 2-43: LONG-TERM LEASES

Number of Presentations Disclosing*	Leases Capitalized	Leases Not Capitalized	Total
A: Rental payments	56	272	328
B: Expiration dates	73	143	216
C: Type of property	44	35	79
D: Renewal or purchase option	23	43	66
Total	196	493	689

Number of Companies with Leases	1969	1968	1967	1965
Capitalized	62	87	68	26
Capitalized and not capitalized	55			
Not capitalized	239	238	212	266
No indication of long-term leases	244	275	320	308
Total	600	600	600	600

Source of Financing for Capitalized Leases	1969	1968	1967	1965
Industrial revenue bonds	51	43	N/C	N/C
Other	68	51		
Total	119	94	84	35

N/C—Not compiled.
*Refer to Company Appendix Section—A: 84, 124, 236, 640; B: 256, 372, 403, 591; C: 264, 358, 487, 567; D: 283, 374, 498, 708.

Leases Capitalized

AMERICAN BAKERIES COMPANY

Assets:

Plant and Equipment, Including Rights to Leased Property	$131,986,866

Liabilities:

Long-term debt and lease obligations, less current maturities (Note 1)	$ 13,641,020

Note 1: Long-Term Debt and Lease Obligations—Long-term debt and lease obligations at December 27, 1969 and December 28, 1968 consisted of the following:

	1969	1968
Term loan, 5¼%; payable $1,400,000 annually from 1970-1974	$ 7,000,000	$ 7,000,000
Discounted amounts of future rental payments under lease agreements—		
Real estate lease, expiring in 1966	2,969,194	—
Equipment lease, expiring in 1986	4,732,558	—
Notes payable—		
4¾% due in 1970	240,000	730,000
5¼%, to be paid in 1970	880,000	1,160,000
5⅞%, to be paid in 1970	670,000	745,000
Noninterest bearing, payable $74,687 annually to 1972	224,063	298,750
Others, at various rates and maturities	70,238	303,218
Liability under contract settlements	386,357	547,997
	$17,172,410	$10,784,965
Less—current maturities	3,531,390	1,284,158
	$13,641,020	$ 9,500,807

Under the terms of the 5¼% term loan agreement the company must maintain consolidated net working capital of not less than $10,000,000; consolidated net working capital at December 27, 1969 was $13,257,497.

During 1969, the company sold and subsequently leased back substantially all of the property at the recently completed Charlotte, North Carolina plant and certain other equipment. The proceeds from this transaction were used to liquidate short-term bank indebtedness. The cost of the facilities (approximately $7,850,000) has been included with plant and equipment in the accompanying balance sheet, and the related lease obligation has been included with long term debt.

Note 7: Leases—In addition to the lease obligations described in Note 1, the company is also committed under approximately 165 long-term leases (excluding leases related to closed plants), which expire at various dates through 2045. Current annual rentals under these leases are approximately $4,425,000.

ARMCO STEEL CORPORATION

	(Dollars in Thousands)
Assets:	
Unamortized Lease Rights (Note 4)	$188,450
Liabilities:	
Long-Term Lease Obligations (Note 4)	$193,175

Note 4: Long-Term Leases—Armco has entered into lease agreements for the use of facilities that have been or are being constructed with funds provided from the proceeds ($203,900,000) of Industrial Revenue Bonds. The lease agreements provide for the payment in annual amounts ($10,722,000 in 1970, $14,544,000 in 1971, $16,011,000 in 1972, and in generally decreasing annual amounts to approximately $14,000,000 in 1980 through 1991 and approximately $7,000,000 in 1992 and 1993) sufficient to service principal and interest (combined effective rate of approximately 4.8%) on the bonds. Amounts, which comprehend lease rights, equivalent to the aggregate lease payments generally are being amortized and charged to income on a straight-line basis over the estimated productive lives of the facilities, which for the most part are shorter than the terms of the leases. Armco has options to purchase the facilities at any time during the term of the leases

at the scheduled redemption prices of the bonds or for nominal amounts at the end of the lease periods. Unamortized lease rights as shown in the statement of consolidated financial position at December 31, 1969, include $36,951,000 of remaining proceeds held by trustees.

BURNDY CORPORATION

Long-Term Debt—portion due after one year:
Long-term lease/purchase obligations (Note 4) $593,072

Note 4: Long Term Lease/Purchase Obligations—The long-term lease/purchase obligations represent the present value of annual rentals for land and manufacturing plant of $50,000 to 1976 and a final payment of $415,000 in 1976.

Note 8: Lease Commitments—At December 31, 1969, the Company and its subsidiaries were lessees under approximately 40 leases with an aggregate minimum annual rental of $450,000. Minimum average annual rentals for the periods as shown below are:

1970-1974	$325,000
1975-1979	195,000
1980-1984	80,000

In addition to fixed rentals, certain of these leases require the Company to pay maintenance and a percentage of real estate taxes.

CARNATION COMPANY

Assets:

Plant Assets, at cost less accumulated depreciation of $112,547,200 and $104,694,030 (Notes 2 and 3) $148,156,452

Liabilities:

Discounted Rental Obligations under certain leases, less current installments included in current liabilities (Note 3) .. $ 10,261,000

Commitments and Contingencies (Note 7)

Note 3: Plant assets, less accumulated depreciation—Plant assets, carried at cost, comprised:

	December 31 1969	1968
Buildings	$ 72,039,075	$ 57,985,360
Leasehold improvements	3,037,953	3,040,300
Real estate improvements	3,904,423	3,620,305
Machinery and equipment	147,798,529	130,933,820
Property rights under long-term leases	18,584,000	16,289,077
	245,363,980	211,868,862
Less—Accumulated depreciation and amortization	112,547,200	104,694,030
	132,816,780	107,174,832
Land	7,422,209	6,903,279
Construction in progress	7,917,463	13,081,087
	$148,156,452	$127,159,198

Under criteria contained in a pronouncement of the American Institute of Certified Public Accountants, certain leases in which the company is lessee are deemed to be equivalent to installment purchases for purposes of accounting presentation. The cost of properties under such leases entered into after September 1964 and accumulated depreciation of $6,488,000 at December 31, 1969 are included above. The related discounted lease obligations, less current installments, are set forth separately in the accompanying balance sheet; annual repayments are estimated to approximate $1,850,000.

Note 7: Commitments and Contingencies—In addition to the leases described in Note 3, the company and its domestic subsidiaries also lease other property and equipment used in their operations for terms ranging generally from 3 to 30 years. A large number of the leases are for automotive equipment and ice cream cabinets leased prior to October 1964 from Carnaco Equipment Company for original terms of 4 to 10 years. Rental payments required under the long-term leases for the three years subsequent to December 31, 1969 are estimated to be:

Lessor	1970	1971	1972
Carnaco	$ 700,000	$ 500,000	$ 300,000
Others	1,300,000	1,000,000	800,000
	$2,000,000	$1,500,000	$1,100,000

The company and/or its subsidiaries are defendants in a number of legal proceedings arising from their day-to-day operations. In the opinion of management, none of the pending cases will have a material effect upon operations of the companies or their financial position.

CENTURY ELECTRIC COMPANY

Property, Plant, and Equipment
Property rights under leases—Note B $5,016,485

Long-Term Debt—Less portion classified as current liability
Capitalized lease obligations—Note B .. 4,334,833

Note B: Capitalization of Leases—The capitalized lease obligations relate to land, buildings, machinery and equipment leased from municipalities. Capitalized lease obligations at December 31, 1969 are as follows:

	Facilities Leased From: City of Lexington, Tennessee	County of Alcorn, (Corinth), Mississippi	Total
Capitalized lease obligations	$1,479,333	$3,035,000	$4,514,333
Less portion classified as a current liability	59,500	120,000	179,500
	$1,419,833	$2,915,000	$4,334,833

The Lexington facilities were financed by sale of Lexington, Tennessee Industrial Revenue Bonds. The original issue bears interest of 6.0% to 4.1% per annum and matures serially in progressive annual amounts ranging from $59,500 in 1970 to $113,000 in 1985. The supplemental issue bears interest of 4.75% and matures in 1986 and 1987 in the amount of $100,000 in each of those years. The payments to be made by the Company are in an amount equal to principal and interest payments due on the bonds through 1987.

The Company has entered into an agreement whereby additional plant facilities are to be financed by another supplemental bond issue for $1,000,000, which bonds were sold January 15, 1970. This issue bears interest of 7.0% to 7.75% per annum and matures serially in progressive annual amounts ranging from $30,000 in 1971 to $95,000 in 1987. The amount of $348,847 represents the amount due from lessor for construction costs incurred by the Company prior to December 31, 1969.

The construction of the Corinth facilities and the acquisition of machinery and equipment for the plant were financed by sale of Alcorn County, Mississippi Industrial Revenue Bonds in the amount of $3,300,000. The issues bear interest of 5.75% to 6.00% and mature serially in progressive annual amounts ranging from $120,000 in 1970 to $230,000 in 1986 with a final payment of $100,000 in 1987.

Note E: Commitments and Contingencies—The Company is leasing plant facilities at McMinnville and Humboldt, Tennessee under twenty-two year and twenty-six year agreements effective September 1, 1959, and April 1, 1961, respectively. The leases provide for rental payments of $144,500 for twelve years and $36,000 thereafter, plus taxes, insurance and maintenance costs.

The approximate aggregate average annual rentals payable (excluding capitalized lease obligations, see Note B) under long-term leases are summarized as follows:

1970-1971	$180,000
1972-1981	156,000
1982-1987	47,000

COOK PAINT AND VARNISH COMPANY

Long-Term Debt—Less current maturities—Note B
Lease purchase agreements $2,012,830

Note B: Long-Term Debt—The Company's lease purchase agreements require annual payments of approximately $153,000 which amount includes interest at rates of from approximately 4.2% to 5¾%. The agreements relate to manufacturing plant and equipment carried at $1,759,981.

Note F: Long-Term Lease Commitments—At November 30, 1969, the Company had approximately 154 leases expiring on various dates to 1981, with present minimum annual rentals of approximately $697,500.

DART INDUSTRIES INC.

Liabilities:

Discounted rental obligations under certain leases, less current instalments $21,638,000

Notes to Financial Statements

Properties Leased from Others—Dart has recorded as assets the cost of certain properties leased from others subsequent to 1964.

The related discounted lease obligations are set forth separately in the accompanying statement of financial position. Dart has no legal responsibility for payments under the terms of any of these leases except for rent, insurance, taxes and maintenance.

These lease obligations are payable approximately $2,000,000 annually until 1977, then decreasing and continuing at lesser amounts thereafter to 1993. Rentals payable under other leases are shown under commitments and contingencies in a following Note.

Commitments and Contingencies—Minimum annual lease rentals payable, including $8,569,000 related to transportation and other short-life equipment, and sublease rentals receivable by Dart under other leases and subleases in effect at December 31, 1969 are as follows:

	Minimum annual rentals	
	Payable	Receivable
Leases expiring in		
1970-1974	$11,682,000	$ 921,000
1975-1979	2,623,000	641,000
1980-1984	1,331,000	114,000
1985-1989	1,301,000	58,000
After 1989	714,000	—
	$17,651,000	$1,734,000

Some leases provide for rentals based upon a percentage of sales and many require additional payments for property taxes, insurance and maintenance. Some of the leases above entered into prior to 1965 contain purchase options. Provision has been made for estimated lease losses on properties no longer operated. Information concerning certain capitalized leases is contained in a preceding Note.

DETECTO SCALES, INC.

Assets

Property, plant and equipment, at cost (Notes 3 and 5):	
Land, building and improvements	$1,172,963
Machinery, equipment and motor vehicles	1,858,753
Patterns and dies	710,605
	3,742,321
Less accumulated depreciation	1,766,715

Liabilities

Long-term debt, less current portion (Note 5)	$1,975,042
Commitments and contingent liabilities (Notes 6 and 7)	

Note 3: Property, Plant and Equipment—Depreciation is provided for generally by the straight-line method over the following estimated useful lives:

Building	40 years
Leasehold improvements	5 to 20 years
Machinery and equipment	5 to 10 years
Automobiles	3 to 5 years
Patterns and dies	5 to 8 years

Depreciation amounted to $244,733 and $209,228 for 1969 and 1968, respectively. In November 1967 a subsidiary entered into an agreement to lease certain equipment for five years at a semiannual rental of $24,469 and to purchase such equipment for an additional payment of $35,000 at the expiration of the term of the lease. The transaction is reflected as a purchase, accordingly the equipment is carried in the appropriate asset accounts at $247,534, representing the present value of the deferred payments provided for in the agreement, and the related obligation is included in long-term debt.

Not 5: Long-Term Debt (in part)—

	Current portion	Long-term portion
Long-term lease/purchase obligation payable semiannually, with final installment of $59,469 due October 1972 (Note 3)	$48,938	$132,876

Note 7: Commitments and Contingent Liabilities—Minimum annual rentals under leases aggregate approximately $401,600 plus taxes, insurance and repairs in certain leases. These leases expire on various dates through 1984.

In November 1969 the Company entered into a thirty year lease for a factory, office and warehouse building to be constructed in Brooklyn, New York. The lease term will commence upon the completion of construction, anticipated for February 1971. The annual rent will be computed at 12¼% of construction cost as defined in the lease, plus taxes, insurance and repairs. Pending final determination, the annual rent will be $477,000. The Company has agreed to reimburse the landlord for construction costs in excess of $2,950,000 and to pay architects' fees estimated at $200,000, payable with interest over twenty years.

GENERAL PLYWOOD CORPORATION

Long-term obligations (Note 3)	$1,154,283

Note 3: Loans payable at October 31, 1969 are comprised of demand loans under a revolving credit agreement, at interest rates which may vary from 12 to 14¼% based upon average monthly borrowings.

Long-term obligations at October 31, 1969 consist of the following:

	Current	Due After One Year
5% Subordinated Debentures, due $16,300 annually through April 1, 1975	$ 16,300	$ 81,500
Promissory Note, interest at rates varying from 12 to 14¼%, due $15,000 monthly through August 31, 1974	180,000	690,000
7¾% Ontario (Canada) Development Corporation Loan, due approximately $3,000 (including interest) monthly through April 15, 1974	27,805	115,832
6¼% First Mortgage Note to Bank, due approximately $750 (including interest) monthly through August 1, 1982	4,192	74,779
Contracts payable	109,866	192,172
	$338,163	$1,154,283

The contracts payable relate to equipment purchases, and to equipment leases which in substance are installment purchases and accordingly have been recorded as assets and liabilities at the discounted amount (based on approximately 10%) of the rental obligations. The amount included in net property, plant and equipment at October 31, 1969 under such leases approximates $332,000. Payments under the purchase and lease contracts, excluding normal operating expenses, are due in each of the five years subsequent to October 31, 1970 in the approximate amounts of $80,000, $59,000, $35,000, $17,000 and $1,000, respectively.

HERCULES INCORPORATED

Assets

Industrial Revenue Bond Funds Held by Trustees	$20,674,655

Liabilities

Long-term Debt	$184,644,800

Notes to Financial Statements

Note 5: Long-Term Debt—

	Dec. 31, 1969	Dec. 31, 1968
6⅝% promissory notes due December, 1971	$ 25,000,000	$ 25,000,000
Revolving credit notes (a)	75,000,000	100,000,000
Leases expiring in 1985, 1986, and 1987 (b)	86,150,000	88,000,000
Other	2,462,900	2,500,000
	188,612,900	215,500,000
Current maturities of long-term debt	3,968,100	2,162,500
Net long-term debt	$184,644,800	$213,337,500

(a) Hercules and certain banks have entered into an agreement providing for a revolving credit of $100,000,000 at the prime interest rate. On July 1, 1972, the amount outstanding may be converted into term loans at the prime interest rate plus one-quarter percent payable in eight semiannual installments commencing January 1, 1973.

(b) Hercules is committed under net lease agreements with Newton County Industrial Development Authority, Georgia, and the Parishes of Iberville and Calcasieu, Louisiana, whereby plant facilities constructed or purchased with proceeds from the sale of Industrial Revenue Bonds are leased to Hercules for periods expiring in 1985, 1986, and 1987. The proceeds of the bonds were deposited with trustees to be used by the issuers to construct or purchase the leased facilities. The bonds will be retired by the trustees from rental payments equivalent to the interest and debt retirement requirements of the bonds. The transactions are being treated for financial accounting and income tax purposes as though the facilities were constructed and owned by Hercules. The bonds bear interest at varying rates from 4¼% to 5¾%. Annual debt retirement requirements approximate the following average amounts: $3,625,000 in 1970, $4,163,000 for the years 1971 to 1975, $4,708,-

000 for the years 1976 to 1980, $5,842,000 for the years 1981 to 1985, and $4,480,000 for the years 1986 and 1987. Under certain conditions, Hercules has the option to purchase these facilities for amounts which will be sufficient to redeem and retire all outstanding bonds.

MARLENE INDUSTRIES CORPORATION

Property, Plant and Equipment, at cost less accumulated depreciation and amortization: 1970, $2,234,232; 1969, $1,661,883 (Notes 2 and 4)	$7,212,312
Funds Held by Trustees—to be used for construction of plants and equipment (Notes 3 and 4)	1,942,975
Long-Term Debt, less portion due within one year (Note 4)	
Capitalized lease obligations	$5,932,000

Commitments and Contingencies (Note 5)

Notes to Consolidated Financial Statements

Note 2: Property, Plant and Equipment—

	Cost	Accumulated Depreciation
Owned by the Company:		
Land	$ 52,410	
Buildings and improvements	456,023	$ 57,702
Machinery and equipment	3,939,602	1,663,228
Leasehold improvements	563,936	172,487
Furniture and fixtures	293,789	124,677
Automotive equipment	120,587	72,478
	5,426,347	2,090,572
Property Rights Under Leases:		
Land	155,603	
Buildings	2,317,794	131,111
Machinery and equipment	245,121	12,549
Construction in progress	1,301,679	
	4,020,197	143,660
Total	$9,446,544	$2,234,232

Depreciation and amortization expenses are computed on a straight line basis and amounted to $607,187 and $521,744 for the years ended January 31, 1970 and 1969, respectively.

Note 3: Funds Held by Trustees—The unexpended proceeds of four industrial revenue bond issues are restricted to the payment of cost of the new facilities. Construction of one of the plants (bond issue proceeds, $951,001) has not yet begun and the time in which to commence construction has been extended to April 1, 1971. The Trustees have invested portions of the funds in short-term United States Government obligations.

Note 4 (in part): *Long-Term Debt—*

	Amount Due Within One Year	Amount Due After One Year
Capitalized Lease Obligations	$101,000	$5,932,000

Subsidiaries have leased eight plants and warehouses whose construction was financed by the sale of industrial revenue bonds by municipalities in Tennessee, South Carolina and Kentucky. The leases, which are guaranteed by the parent Company, provide for rental payments approximating $520,000 a year, sufficient to pay the bond interest at rates ranging from 5% to 8% per annum and to retire maturing bonds. The agreements, which expire at various times from 1983 to 1993, contain provisions for purchase and renewal options.

The transactions have been treated as purchases for both accounting and tax purposes and accordingly the construction costs are carried in the consolidated balance sheet as an asset and the outstanding principal amount of the bonds as a liability.

Note 5: Commitments and Contingencies—Annual rentals payable under long-term leases for office and showroom premises and plant facilities (exclusive of those leases which are treated as installment purchases of facilities) approximate $500,000.

The Federal income tax returns of the parent company have been examined by the Internal Revenue Service through January 31, 1969.

PALL CORPORATION

Liabilities and Stockholders' Equity:

Capitalized lease obligations	$1,207,047

Notes to Consolidated Financial Statements

Note 6: Capitalized Lease Obligations—During the year ended July 31, 1967 the Company sold its plant at Portsmouth, England. This property was then leased back from the purchaser for ninety-nine years. Under the provisions of the lease, the Company is to pay a basic annual rental of $45,748, and is to pay all expenses relating to the property. The basic rent may be increased in the fourteenth year under certain conditions.

At July 31, 1969 the Company had nearly completed construction of an extension to the above-mentioned plant. The costs incurred for this construction to July 31, 1969 amounted to $785,495. Under the terms of an agreement entered into for the purposes of financing this construction the Company had received $711,567 in construction advances up to July 31, 1969. The basic annual rental for the plant addition when fully completed will be approximately $76,000.

For accounting purposes, the Company has treated these transactions as financing arrangements and has reflected the sales price net of the amortization portion of payments made as a liability. Depreciation on the Company's leasehold interest in the property has been provided for based on its estimated useful life, except that no charge has been made for depreciation of the plant extension since at July 31, 1969 it was not yet completed nor in use.

Note 9 (in part): *Contingencies and Commitments*—The Company and its subsidiaries lease certain facilities (other than facilities covered under capitalized leases, see Note 6), under long term leases expiring from 3 to 20 years after July 31, 1969 and annual rentals under such leases amount to approximately $139,000. Total rental commitments under these leases aggregate approximately $688,000.

THE WURLITZER COMPANY

Long-Term Liabilities, Etc.:

Lease obligations (Notes 2 and 4)	$1,966,432

Note 2 (in part): *Long-Term Liabilities*—Lease obligations require payments, plus interest at 2½% to 5½%, as follows:

1971	$ 192,254
1972	192,254
1973	193,254
1974	193,254
1975 to 1979	799,416
1980 to 1985	396,000
Total	$1,966,432

Note 4: Changes in Accounting Procedures—The Company made certain changes in accounting procedures during 1969 to comply with Opinions Nos. 5 and 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants.

The long-term leases under which the Company occupies plant facilities in Mississippi are now accounted for as installment purchases of property and the assets and corresponding liabilities are included in the accompanying balance sheet. The balance sheet as of March 31, 1968 has been restated to include these assets and liabilities on a comparable basis. A further addition of approximately $800,000 to the Mississippi plant facilities is now under construction under similar lease arrangements.

Prior to 1969, the Company provided deferred income taxes on differences in earnings determined for tax and financial accounting purposes resulting from variations in methods of computing depreciation and realized gross profit on installment sales. In 1969, the Company also recorded the income tax effect of the excess of provisions for losses on receivables over amounts expected to be deductible currently.

Net earnings for 1969 were increased approximately $301,000 as a result of these changes in accounting.

Note 7: Commitments—Rent commitments, under various leases (excluding leases described in Note 4) for terms of more than three years, require annual payments, excluding property taxes and insurance, of from $875,000 to $407,000 through 1972 and from $269,000 to $24,000 from 1973 through 1979.

Leases Not Capitalized

GOLDBLATT BROS., INC.

Notes to Financial Statements

Note 6: At January 31, 1970, the companies were lessees of certain operating properties, some of which have been subleased. Some of the leases contain percentage rent provisions. The net

minimum annual rentals for leases expiring more than three years from January 31, 1970, are as follows for the periods indicated:

Fiscal Years Ending In	Number of Leases Expiring in Each Period	Approximate Net Minimum Annual Rental
1974-1990	36	$2,110,251
1991-2000	10	819,528
2001-2120	11	527,909
	57	$3,457,688

SIMKINS INDUSTRIES, INC.
Lease Commitments (Note 7)

Note 7: Contingent Liability and Lease Commitments—The company leases over the road trailers and tractors. Truck lease agreement to September 30, 1973 is based on number of trucks, mileage, etc.

At September 30, 1969, the company was obligated under rental leases expiring during the period from October 1, 1969 to September 30, 1977, providing annual rentals totaling:

Leases Expiring On Or Before	Number Of Leases	Aggregate Annual Rental
September 30, 1970	4	$ 48,595
September 30, 1971	1	22,152
September 30, 1972	2	78,000
September 30, 1974	2	85,609
September 30, 1975	1	41,804
September 30, 1977	1	52,387
Totals	11	$328,547

F. W. WOOLWORTH CO.
Notes to Financial Statements

Note I: Long-Term Leases—Minimum annual rentals under more than 4,000 property leases in effect at December 31, 1969 amounted to $96,045,108, which is summarized according to lease expiration periods: 1970-1974, $17,222,987; 1975-1979, $24,260,045; 1980-1989, $45,404,080; 1990-1999, $7,057,800; and subsequently $2,100,196.

Total rent charged to expense for the year including rentals based on a percentage of sales but excluding payments of real estate taxes, insurance and other expenses required under some leases amounted to $104,970,373 in 1969, $93,908,618 in 1968.

DEFERRED TAXES

The captions used for deferred taxes are summarized in Table 2-44. Examples of presentations of deferred taxes and deferred investment tax credits are presented in connection with Tables 3-18 and 3-19, respectively.

TABLE 2-44: DEFERRED TAXES IN NONCURRENT LIABILITIES

Description	1969	1968	1967
Deferred income taxes	208	186	N/C
Deferred federal income taxes	133	158	N/C
Deferred taxes (on income)	49	39	N/C
Other captions	45	42	N/C
Number of Companies			
With noncurrent credit for deferred taxes	435	425	388
Without such item	165	175	212
Total	600	600	600
Companies disclosing deferred investment credit in balance sheet	53	52	65

N/C—Not compiled.

MINORITY INTERESTS

Table 2-45 summarizes the presentations of minority interests by 577 of the survey companies which presented consolidated statements. In 368 of these reports there was no indication of any subsidiary not wholly-owned. Of the 209 companies remaining, 187 disclosed the amount of minority interest. Examples of *other captions* are presented below. Presentation of minority interests in income is shown in Table 3-25.

Examples

AMERICAN AIR FILTER COMPANY, INC.

Long-term debt	$11,972,589
Equity of others in subsidiaries	88,836

AMERICAN BRANDS, INC.
Consolidated Balance Sheet *(In Thousands)*

Long-term debt	$351,422
Deferred income taxes and other deferred credits	17,924
Minority interest in consolidated subsidiaries	88,053

THE DUPLAN CORPORATION

Total Long-term Debt	$62,397,048
Deferred Income Taxes	1,048,000
Minority Interests in Net Assets of Subsidiaries Consolidated	2,931,253

TABLE 2-45: MINORITY INTERESTS—BALANCE SHEET PRESENTATION

Description	1969	1968	1965	1960
Minority interest in subsidiaries	157	149	N/C	N/C
Other captions	30	26	N/C	N/C
Amount of minority interest not disclosed	22	11	N/C	N/C
Subtotal	209	186	136	112
No indication of a minority interest in consolidated subsidiaries	368	382	419	404
Statements not consolidated	23	32	45	84
Total	600	600	600	600

N/C—Not compiled.

GERBER PRODUCTS COMPANY

Total Deferred Credits	1,230,611
Minority Interest in Foreign Subsidiaries	$ 450,658

STANDARD OIL COMPANY (NEW JERSEY)

Long-term debt	$2,173,800,000
Annuity, insurance, and other reserves	453,796,000
Deferred income tax credits	485,429,000
Other deferred credits	88,107,000
Equity of minority shareholders in affiliated companies	454,934,000

TENNECO INC.

Outside Stockholders' Interest in Subsidiaries:	
Preferred stock	$ 77,885,199
Common stock and retained earnings	27,362,734
	$105,247,933

WARD FOODS, INC.

Shareholders' Equity	
Minority Interests in Subsidiaries	$ 473,662
Ward Foods, Inc. Shareholders	
Common Stock, $1.00 par value: Authorized 10,000,000 shares in 1969 Issued 3,301,541	$ 3,301,541
Capital Surplus	46,047,983
Retained Earnings	3,347,483
	$52,697,007
Less, Treasury stock, at cost, 93,298 shares	3,344,527
	$49,352,480

TABLE 2-46: OTHER LONG-TERM LIABILITIES, DEFERRED CREDITS AND RESERVES

Caption Presented	1969	1968	1965	1960
Employee liabilities:				
Deferred compensation, bonus, etc.	86	76	52	32
Pension or retirement plan	71	71	43	39
Other	24	25	33	30
Reserves or estimated losses:				
Self-insurance	45	49	60	78
Foreign investments or operations	36	45	48	28
Discontinued operations	15	11	9	3
General contingency	11	10	28	47
Repairs, furnace, relining, etc.	7	9	15	15
Deferred credits:				
Deferred profit on sales	14	19	20	17
Excess of equity in companies acquired over cost	16	17	15	10
Payments received in advance, warranties, etc.	27	23	32	26
Deferred income or credits not otherwise described	29	47	38	30
Production payments	19	18	17	N/C
Other captions	48	21	N/C	N/C
"Miscellaneous," "Sundry," or "other" liabilities or reserves	114	108	N/C	N/C
Total	562	549		
Number of Companies				
Presenting such items	365	315		
Not presenting such items	235	285		
Total	600	600		

N/C—Not compiled

OTHER LONG-TERM LIABILITIES

Many of the survey companies presented items on the liability side of the balance sheet between current liabilities and stockholders' equity, which were expressly excluded from long-term debt. Those items labeled *deferred credits, reserves,* or *other long-term liabilities* are summarized in Table 2-46. Examples of such items are presented below.

Employee Liabilities

ALLIED CHEMICAL CORPORATION

Long-term debt	$386,953,000
Capitalized lease obligations	59,477,000
Deferred income—production payments	4,581,000
Deferred income taxes	41,878,000
Accrued pension obligations	113,381,000

Notes to Financial Statements

Pensions—The Company's pension plans cover substantially all employees. Pension expense in 1969 was $15,977,000 (1968—$16,136,000) and includes amortization of prior service costs, principally over a twenty-five year period. It is the Company's policy to fund amounts equal to pension expense plus a portion of amounts previously provided as book reserves; accordingly, the existing accrued pension obligations provided in prior years are being reduced concurrently with additions to the Company's funded pension assets. At December 31, 1969, the total of amounts funded with trustees plus the accrued pension obligations substantially exceeded the Company's actuarially determined liability for vested benefits.

AMERICAN BILTRITE RUBBER CO., INC.

Long-Term Debt—less current portion	$20,502,648
Deferred Liabilities	
Federal Income taxes	738,729
Pensions and compensation (Note C)	1,160,570
	$ 1,899,299

Note C: Pension Plans—The Company and certain of its subsidiaries have several pension plans covering substantially all of their employees. During 1969, the Company amended some of the plans to increase pension benefits and adopted new plans for certain of its divisions. The total pension expense for the year was $1,270,000 ($1,043,000 in 1968).

Commencing January 1, 1969, the Company plans to fund all previously unfunded plans including amortization of all prior service costs over a period of 40 years. The effect of this change on the amount provided for pension expense for the year was not significant. For certain plans, the actuarially computed value of vested benefits determined as of the beginning of the year exceeded the total of pension funds and balance sheet accruals by $5,865,000.

DAN RIVER MILLS, INCORPORATED

	(*Amounts in thousands*)
Deferred compensation	$690
Deferred credit	218

Notes to Financial Statements

Note 6: Pension and Profit Sharing Plans—The Corporation and subsidiary companies have several pension plans covering substantially all of their employees; the Corporation and several subsidiaries have a profit sharing plan for salaried employees and shift foremen; and, the Corporation has an Executive Incentive Compensation Plan which is a deferred compensation arrangement related to consolidated net earnings. The policy followed is to fund annually accrued pension and profit sharing cost and the total expense (none under the profit sharing or executive compensation plans) for the year amounted to $1,160,000 ($2,145,000 in 1968) which includes prior service cost being amortized over periods from ten to twenty years.

H. J. HEINZ COMPANY

Long-term debt and other liabilities:	
Liabilities under incentive profit sharing plans, less portion payable within one year (Note 3)	$11,432,382
Reserves applicable to international operations:	
For possible currency devaluations	1,000,000
For possible foreign currency translation losses	198,085
	1,198,085
Minority interests	13,963,647

Note 3: Management Profit Sharing Plan and Management Incentive Plan—Effective May 1, 1968, the Board of Directors of the Company terminated each employee's agreement previously executed under the Managment Profit Sharing Plan of the Company and certain of its subsidiaries. Amounts payable to participants (employees) were frozen at that date. On September 13, 1968, the shareholders of the Company approved a proposal to give certain former participants the opportunity to convert the frozen amount payable to them into restricted common stock of the Company. For conversion purposes, the amount payable at May 1, 1968 was discounted by 5% per annum for the number of fiscal years between May 1, 1968 and the fiscal year in which the employee would normally retire. The aggregate amount of discount resulting from the exercise of the conversion privilege by certain employees has been applied as a reduction of the management profit sharing plan liability, and the contra income credit has been shown as an extraordinary item without tax effect, since no tax benefits were provided when the management profit sharing provisions were charged to income.

On September 13, 1968, the shareholders of the Company approved a Management Incentive Plan for certain key employees of the Company and certain of its subsidiaries. Participants in the Plan for fiscal years subsequent to April 30, 1969 may elect each year one of several methods of payment of awards granted under the Plan. The aggregate amount of all awards under the Plan may not exceed certain limits in any fiscal year.

OTIS ELEVATOR COMPANY

	(*Thousands of Dollars*)
Long term notes payable	$29,008
Provisions for other liabilities	
Severance indemnities—foreign	3,583
Pensions	1,373
Incentive compensation	899
Incentive compensation contingent allotments	1,932
Other	1,400

Financial Review

Salaries, Wages and Employee Benefits—During 1969 the Company and its subsidiaries paid $266,235,000 directly to employees, as salaries and wages, and, indirectly through Company or government benefit programs.

The Company and certain of its subsidiaries maintain pension plans providing benefits which are generally in line with those provided by comparable companies in the respective countries. The 1969 cost of such plans, inclusive of amortization of past service costs, amounted to $4,544,000 compared with $3,829,000 in 1968. As of December 31, 1969 the net assets of the plans are in excess of the actuarially computed vested benefits. At December 31, 1969 the unfunded past service obligation under all plans was $10,529,000. The period of funding past service is 30 years.

The Company and one of its subsidiaries maintain Incentive Compensation Plans for the benefit of officers and other managerial employees. During 1969, a total of $746,000 was allocated for the year 1968 as Incentive Compensation to the participants of both plans. Of this amount, $336,000 was paid in cash and the balance by contingent allotments of common stock of the parent company (7,776 shares at $53 per share). A total of $894,000 has been appropriated from the 1969 earnings of the Company and its subsidiary by the Board of Directors of the respective companies.

The Incentive Compensation Contingent Reserve of $1,932,000 at December 31, 1969, represents dividend equivalents accumulated upon shares of stock contingently allotted to participants in the Incentive Compensation Plan. The 1969 income has been charged with $311,000 representing dividend equivalents on shares contingently allotted and the 1969 appropriation to the Incentive Compensation Reserve. At December 31, 1969, the liability for 153,458 shares contingently allotted (fixed at Treasury share cost) has been fully covered and offset against the cost of such Treasury shares and neither is reflected in the consolidated financial statements. The future income tax reduction allowable in the years of distribution from the Incentive Compensation Reserve and Incentive Compensation Contingent Reserve (including the values assigned to shares contingently allotted) is included as a deferred charge on the Consolidated Balance Sheet.

Insurance Reserves

ALLIED MILLS, INC.

Long-term debt (Note B)	$2,264,004
Deferred federal taxes on income due principally to accelerated depreciation	768,000
Reserve for self-insurance, etc.	650,296

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

Deferred investment credit, reserves for self-insurance, etc.	$16,472,624

JOHNS-MANVILLE CORPORATION

Reserves for self-insurance and product guarantees	$10,591,000

Foreign Reserves

THE COCA-COLA COMPANY

Long-term debt	$ 19,131,889
Reserve for unremitted foreign profits	107,861,844
Deferred income taxes	9,925,003

Notes to Financial Statements

Note 1: Foreign Operations—The consolidated balance sheet includes the following amounts with respect to subsidiaries and branches operating in foreign countries: Current assets, $148,408,-774 (including cash and securities totaling $56,578,709); property, plant and equipment at depreciated cost, $129,089,485; other assets, $22,951,796; and liabilities, $125,556,695. Property accounts have been translated at rates of exchange prevailing at dates of acquisition and all other assets and liabilities at approximate rates of exchange prevailing at December 31, 1969.

It is the established policy of the Company to include in consolidated net profit the entire net profit of the Canadian subsidiaries, but to include the net profit of other foreign subsidiaries only to the extent such profits have been remitted to the Company. Accordingly, the other deductions account includes a provision for unremitted foreign profits in the amount of $6,206,-030 ($.11 a share) and $6,398,041 ($.11 a share), representing foreign profits earned but not remitted in 1969 and 1968 respectively.

PHILIP MORRIS INCORPORATED

Long-term debt	$332,000,000
Deferred income taxes	18,061,000
Deferred investment credit	3,219,000
Reserve applicable to international operations	5,215,000

Notes to Financial Statements

Reserve Applicable to International Operations—This reserve provides for possible revaluation of investments in foreign subsidiaries which could be necessitated by governmental actions, such as currency devaluations, and for income taxes relating to undistributed earnings of foreign subsidiaries.

RICHARDSON-MERRELL INC.

	(Thousand Dollars)
Non-Current Liabilities and Reserves	$5,755
Minority Interest in Foreign Subsidiaries	4,286
Reserve Applicable to Foreign Operations (Note 7)	5,952

Note 7: The Adjustment for Foreign Operations results from the policy of excluding from Earnings for the Year all unremitted income arising in certain countries having remittance restrictions or where danger of major currency devaluation appears to exist. Such unremitted income is included in earnings in the year of remittance. Major losses on net current assets arising from devaluation are charged to the Reserve Applicable to Foreign Operations; in accordance with this policy, a charge of $1,216,000 (1968—$479,000) was made to the reserve for net devaluation losses in certain countries, including $625,000, resulting from the devaluation of the French franc in August, 1969 which has been reflected in the financial statements at June 30, 1969.

Discontinued Operations

ALLIS-CHALMERS MANUFACTURING COMPANY

Special Reserves (Note 3)	
Estimated costs of parts replacement, warranty costs, repossession losses and price allowances	$22,216,904
Estimated costs and losses associated with relocation and discontinuance of facilities and products	14,658,932
	36,875,836
Less amount included in current liabilities	31,000,000
Total Special Reserves — Non-Current	$ 5,875,836

Note 3: *Special Reserves and Income Taxes*—Provisions were recorded in the last quarter of 1968 to establish special reserves for the anticipated costs and losses which would result from implementation of the Company's proposed programs for substantial changes in the organization, products and production facilities, marketing and relations with dealers and customers. Changes in these reserves during 1969 are summarized as follows:

Balances in reserves at beginning of year	$68,754,410
Costs and losses incurred—	
Parts replacement, warranty costs, repossession losses and price allowances	18,043,202
Relocation and discontinuance of facilities and products, including employe separation costs	13,835,372
Total costs and losses	31,878,574
Balances in reserves at end of year	$36,875,836

Although the costs and losses to be charged to the reserves in the future cannot be finally determined at the present time, management believes that the remaining reserves represent a fair and reasonable determination of the amounts required.

The Company will file a consolidated federal income tax return for 1969 and no taxes will be payable. Federal taxable income, before application of tax loss carryforwards, will be nominal because the current year's charges to the special reserves recorded in 1968 will be deducted in arriving at taxable income and because of normal book-tax timing differences.

The tax benefits expected to be realized from future charges to the special reserves and from future utilization of tax loss carryforwards were recorded in 1968. An amount equivalent to such tax benefits realized in 1969 of $16,992,678 is included in the current year's income tax provision, together with $3,077,996 relating to normal book-tax timing differences, primarily depreciation of plants and equipment, and $2,089,326 relating principally to state and foreign taxes payable.

The realization of the remaining estimated future income tax benefits at December 31, 1969 of $40,824,530, including $19,746,381 in current assets relating to normal book-tax timing differences, is dependent upon the generation of future taxable income. In the opinion of management, the realization of such tax benefits is assured beyond any reasonable doubt.

The Company has unrecorded investment tax credit carryforwards of $6,380,600 applicable to the years 1963 through 1969 which may be used to reduce income taxes payable in the future.

BORDEN, INC.

Reserves	
Facilities realignment and relocation—Note 6	$44,209,336
Insurance	4,996,577

Note 6: *Facilities Realignment Program*—As described in the accompanying Message to Shareholders and Employees and other Annual Report comments, the Company adopted during 1969 a program to realign its facilities and to redeploy its assets. The anticipated losses, net of gains, and costs associated with the program, less the related income tax benefits, are shown as an extraordinary charge in the accompanying consolidated Statement of Income and Retained Earnings. The reserves created by this charge, less subsequent actual losses and costs associated with the program, are included in the accompanying consolidated Balance Sheet as reductions of property and other non-current assets to the extent that they represent anticipated losses on such assets, and as a liability reserve to the extent they represent anticipated future costs and expenses. The anticipated related tax benefits have been applied as reductions of accrued current taxes to the extent that the related losses and expenses have been realized for tax purposes, with the remainder included in deferred federal income taxes.

LIBBY, McNEILL & LIBBY

Long-term debt	$28,581,000
Reserve for estimated costs of disposal of certain operating facilities (Note B)	6,924,000
Deferred income taxes	2,114,000
Pension Reserve (Note G)	3,429,000

Note B: *Disposal of Operating Facilities*—Estimated losses and costs related to the intended disposal during the next several years of certain operating facilities have been provided by an extraordinary charge in 1969.

Note G: *Pensions*—The Company and its subsidiaries have pension plans covering substantially all of their employees. For plans administered by unions, payments are made and charged to earnings at contribution rates defined in the contracts.

Company-administered plans are both contributory and non-contributory, and funds applicable to substantially all of these plans are held by various trusts created by the Company and its subsidiaries. Charges to earnings for contributions to Company-administered plans represent current service costs (calculated principally under the aggregate cost method), plus interest on unfunded past service credits, less a portion of the unrealized market appreciation on common stocks held by the principal trust.

Reserves for Repairs, Etc.

W. T. GRANT COMPANY

Reserves	
For self-insured risks and repainting stores	$3,300,000
For deferred contingent compensation	2,399,242
Total Reserves	$5,699,242

PPG INDUSTRIES, INC.

Accumulated Provisions:	
Maintenance and repairs	$10,086,000
Insurance and unfunded and uninsured pensions	3,355,000
Foreign operations	843,000
Total Accumulated Provisions	$14,284,000

Deferred Profits on Sales

ADMIRAL CORPORATION

Reserves for Warranties and Deferred Credits:

Reserves for warranties (including deferred service income)	$14,188,573
Deferred credits—Note C(1)	1,610,277

Note C: Government Contracts, Income and Excise Taxes—(1) As of February 24, 1969, the Company sold its government electronics division for an amount in excess of the book amount of the assets sold; such excess is being held in suspense as a deferred credit, pending settlement of claims, adjustments, etc., under United States Government contracts. The sales volume of the government division amounted to approximately $2,500,000 for 1969 and $29,150,000 for 1968.

Production Payments

THE ANACONDA COMPANY

Other Liabilities, Deferred Credits and Reserves

Other liabilities	$24,270,000
Production payments sold and other deferred credits (Note H)	97,611,000
Reserve for workmen's compensation insurance and employee termination benefits	5,019,000

Note H: Sales of Future Mineral Production—In May 1969, the Company sold an interest in future mineral production from its Yerington mine for $20 million. Proceeds from such sales are taken into income together with related production costs and income taxes as minerals in satisfaction of the sales are produced. Accordingly, the unliquidated portions of sales of future mineral production are classified in the accompanying balance sheet as deferred credits.

AMERICAN ZINC COMPANY

Deferred Credits:

Production payments (Note 5)	$5,000,000
Accumulated federal income tax reductions	585,000
	$5,585,000

Note 5: Production Payment—On June 27, 1969, the company sold a production payment of $5,000,000 which entitles the purchaser to a portion of the proceeds from the sale of future ore production from one of the company's mining properties. In addition to the primary sum of the production payment, an amount computed at the rate of 9⅜% per annum on the unliquidated balance of the primary sum is to be paid the purchaser. It is anticipated that the ore will be produced and the production payment liquidated during the coming year at which time the effect of the transaction will be reflected in earnings.

FREEPORT SULPHUR COMPANY

Deferred credit arising from forward sales of proceeds from future production which will be reflected in income as production is marketed	$10,000,000

JONES & LAUGHLIN STEEL CORPORATION

Long-term debt	$271,387,000
Accrued employee benefits	19,915,000
Deferred income taxes	8,203,000
Production payments due after one year (Note C)	28,600,000

Note C (in part): *Production Payments and Federal Income Taxes*—In December 1969, the Corporation sold production payments aggregating $42,500,000, representing a portion of its interest in future production from certain mineral deposits. The proceeds of such sales have been reflected in current and noncurrent liabilities in the amounts that are expected to be repaid out of production in years 1970 to 1972. Changes in the tax laws have eliminated tax benefits which were previously obtained from sales of production payments. Production payments sold in the prior year were substantially liquidated during 1969, with recognition given in the 1969 statement of income for the tax benefits from such liquidations.

Income Received in Advance, Etc.

HONEYWELL INC.

Long-Term Debt	$271,510,000
Deferred Income Taxes	51,525,000
Deferred Rental Income	109,633,555

Notes to Financial Statements

Note 5: Accounting Practice—Leases to customers for computer systems are accounted for as operating leases, and the rentals under such leases are included in sales, service and rental income as earned over the term of the lease. Future rentals sold to non-consolidated finance subsidiaries as described in the financial review section of this report (page 9), have been credited to Deferred Rental Income and will be included in sales, service and rental income in accordance with the above method.

Financial Review (Page 9)

The company continued to finance its domestic operations by selling portions of future rentals arising from computer transactions to Honeywell Finance Inc. In addition we established a non-consolidated finance company in Canada, Honeywell Holdings Limited, which operates in substantially the same manner. At year-end a total of $109,633,555 of future rental income had been sold to these non-consolidated subsidiaries. Use of the finance companies enables us to finance lease contracts by borrowing against future rental receivables on an appropriately leveraged basis. The transactions with the finance companies have no effect, however, on our income statements.

NORTON SIMON, INC.

Long-Term Liabilities	$210,469,000
Deferred Subscription Revenue	19,913,000
Deferred Federal Income Taxes	26,779,000
Subordinated Convertible Debentures	18,118,000

METRO-GOLDWYN-MAYER INC.

Deferred Income:	(In thousands)
Television contract instalments	$30,971
Other	4,742
	$35,713

Notes to Financial Statements

Television Contracts—At August 31, 1969, the Company had entered into contracts for the licensing of films on television which provide for future instalment payments aggregating $72,571,000. These contracts allow the licensees to show the films for a limited number of runs or for periods up to ten years. Instalment cash payments are generally received over a shorter period of time while income is recorded proportionately over the longer period of the contracts. There is, therefore, a difference in the timing of the receipt of cash and the recording of income. The excess of the total contract income over income recorded to date, less provision for amortization, share of rentals to participants, other direct costs and income taxes, is shown as deferred income on television contract instalments in the accompanying balance sheets.

Guarantees or Warranties

THE BUDD COMPANY

Long-Term Debt	$93,795,181
Deferred Income Taxes	11,839,892
Extended Product Warranties	1,133,915
Minority Interest	3,353,528

MIDAS-INTERNATIONAL CORPORATION

Reserve for Product Guarantee (Note 6)	$2,200,000

Note 6: Reserve for Product Guarantee—Mufflers sold under the brand names "Inparco" and "Midas" are guaranteed for as

long as the original purchaser owns the automobile on which the muffler is installed. The reserve for product guarantee, stated at $2,200,000, represents the provision for the estimated liability for replacement costs of such mufflers sold through December 31, 1969. The provision for the related future income tax effect of $1,100,000 is shown on the balance sheet as a deferred charge.

RESERVES—Use of the Term "Reserve"

In August 1953 the committee on terminology of the American Institute of Certified Public Accountants issued its *Accounting Terminology Bulletin No. 1,* excerpts of which are included below:

57. The committee observed some years ago that the term *reserve* was being used in accounting in a variety of different and somewhat conflicting senses. As a result clarity of thought and accuracy of expression were impaired and an adequate understanding of financial statements on the part of users was made more difficult than necessary. In addition the variations in balance-sheet classifications and presentation of the so-called reserves contributed to the confusion and made comparisons difficult.

58. The dictionaries define the term generally as something held or retained for a purpose, frequently for emergencies. In dealing with financial matters the term is commonly used to describe specific assets which are held or retained for a specific purpose. This is the sense in which the term is employed, for instance, in our banking system, which derives its name from the fact that member banks are required to maintain deposits with the central or *reserve* banks. The term is also used to indicate such assets as oil and gas properties which are held for future development. In accounting, such assets are described according to their nature or referred to as *funds* or *deposits* for specific purposes, generally without using the term *reserve.*

59. In accounting practice the term has been used in at least four senses, namely:

(1) To describe a deduction which is made (a) from the face amount of an asset in order to arrive at the amount expected to be realized, as in the case of a reserve for uncollectible accounts, or (b) from the cost or other basic value of an asset, representing the portion of the cost which has been amortized or allocated to income, in order to arrive at the amount properly chargeable to future operations, as in the case of a reserve for depreciation. In this sense the term has been said to refer to valuation reserves, reflected in the asset section of the balance sheet.

(2) To indicate an estimate of (a) an admitted liability of uncertain amount, as in the case of a reserve for damages, (b) the probable amount of a disputed claim, as in the case of a reserve for additional taxes, or (c) a liability or loss which is not certain to occur but is so likely to do so as to require recognition, as in the case of a reserve for self-insurance. These reserves have been included in the *liability* section of the balance sheet, or in a section immediately below the ordinary liabilities, or in the *proprietary* section. In the insurance field the term is used in this sense as referring to the portion of the total assets derived from premiums which is expected to be required to meet future payments under policies.

(3) To indicate that an undivided or unidentified portion of the net assets, in a stated amount, is being held or retained for a special purpose, as in the case of a reserve (a) for betterments or plant extensions, or (b) for excess cost of replacement of property, or (c) for possible future inventory losses, or (d) for general contingencies. In this sense a reserve is frequently referred to as an appropriation of retained income.

(4) In the income statement, to indicate a variety of charges, including losses estimated as likely to be sustained because of uncollectible accounts, depreciation, depletion, amortization, and general or specific contingencies. It is to be noted here that the term refers to the charge by means of which a reserve (in any of the three preceding senses) is created.

60. The committee in 1948 recommended that in accounting practice the use of the term *reserve* be limited to the third of the four senses set forth above, i.e., 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. There appears to be increasing recognition of the soundness of this recommendation.

61. The first and second accounting usages of the term set forth above seem not only clearly contrary to its commonly accepted meaning but also lacking in technical justification. As to the first, a so-called reserve for bad debts or for depreciation does not in itself involve a retention or holding of assets, identified or otherwise, for any purpose. Its function is rather a part of a process of measurement, to indicate a diminution or decrease in an asset due to a specified cause. Nor is the suggested substitution of the term *provision* acceptable as an improvement, because any provision must of necessity and in the final analysis be made by the allocation or segregation of assets.

TABLE 2-47: USE OF TERM "RESERVE"

Use of Term "Reserve"	1969	1968	1965	1960
Reserves deducted from assets for:				
Uncollectible accounts	91	86	102	155
Depreciation	40	42	67	118
Investments	13	19	N/C	N/C
Inventories	9	7	23	42
Other assets	7	2	N/C	N/C
Total	160	156		
Liability reserves for:				
Current liabilities:				
Taxes	6	10	12	19
Other	2	6	N/C	N/C
Long-term liabilities:				
Employee benefits or compensation	49	60	70	68
Insurance	34	38	67	95
Foreign operations or benefits	33	33	48	28
Taxes	23	20	50	56
Other liabilities	11	20		
"Miscellaneous" "general," or "contingency" reserves	75	58	N/C	N/C
Total	233	245		
Reserves included in stockholders' equity	4	3		
Number of Companies Presenting Reserves				
In assets only	68	70		
In assets and in liabilities	40	49	N/C	N/C
In liabilities only	99	108		
In neither assets nor liabilities	393	373		
Total	600	600		

N/C—Not compiled.

The term *less reserve* in this area has been increasingly replaced by terms which indicate the measurement process, such as *less estimated losses in collection, less accrued depreciation,* etc.

62. As to the second of these four usages, it may be argued that the showing of any liability in the balance sheet is an indication that a portion of the assets will be required for its discharge, and that in this sense the showing may be regarded as a provision or reserve; however, it is clearly preferable to regard the showing as indicating the obligation itself, which is a deduction necessary to arrive at proprietary investment or net assets. The items in this area which have been described as *reserves* are therefore better designated in some such way as *estimated liabilities* or *liabilities of estimated amount.*

63. The use of the term *reserve* to describe charges in the income statement involves different considerations. It may be said that a charge of this nature, e.g., a charge for depreciation, indicates that cash or some other thing received by way of revenue has, to the extent indicated, been reserved or set aside for a special purpose, and therefore represents a reserve. However, the basic purpose in the making of these charges is one of income measurement, and the designation of such charges as costs, expenses, or losses, i.e., negative elements in determining income, is more understandable than their designation as *reserves.*

64. The generally accepted meaning of the term *reserve* corresponds fairly closely to the accounting usage which indicates an amount of unidentified or unsegregated assets held or retained for a specific purpose. This is the use to which the committee feels that it should be restricted, and it is interesting to note that in the 1947 revision of the British Companies Act the use of the term was limited to this area.

Table 2-47 indicates that a significant number of companies continue to use the term *reserve* in the asset and liability sections of the balance sheet. The recommended usage as an appropriation of retained earnings has never become popular.

TITLE OF THE "STOCKHOLDERS' EQUITY" SECTION

Table 2-48 summarizes the titles used in the 1969 published annual reports of the 600 survey companies

TABLE 2-48: STOCKHOLDERS' EQUITY SECTION—TITLE IN THE BALANCE SHEET

Title Used	1969	1968	1965	1960
"Ownership" word,* with:				
Equity	504	497	400	303
Investment	48	47	57	59
Other term	7	9	17	14
Subtotal	559	553	474	376
Does not include "ownership" word:				
Capital stock and retained earnings (or surplus, etc.)	19	22	55	115
Capital	9	12	34	50
Capital and retained earnings (or surplus, etc)	4	6	11	16
Other terms or title not set forth	9	7	26	43
Total	600	600	600	600
***Ownership Word**				
Stockholder	316	327	279	242
Shareholder	212	193	166	111
Other	31	33	29	23
Total	559	553	474	376

to describe the stockholders' equity section of the balance sheet. There were no significant changes from the prior year. Most of the survey companies use either the title *stockholder's equity* or *shareholders' equity.* Companies with two or more issues of common stock or convertible preferred stock are shown as complex capital structures. Examples relating to convertible debt are shown in connection with Table 2-41.

CAPITAL STRUCTURES

The various classes and combinations of capital stock, as disclosed in the balance sheets of the 600 survey companies, are summarized in Table 2-49. The table shows a continuing decline in the use of the term *capital stock* and a continuing increase in the number of companies having preferred stock. The need for disclosure in connection with complex capital structures is stated in Paragraph 19 of Accounting Principles Board *Opinion No. 15.*

> 19. The use of complex securities complicates earnings per share computations and makes additional disclosures necessary. The Board has concluded that financial statements should include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding. Examples of information which should be disclosed are dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, unusual voting rights, etc.

Examples follow of capital structures having various combinations of capital stock. Companies with only one issue of common stock and no issues of convertible preferred stock are shown as simple capital structures.

TABLE 2-49: CAPITAL STRUCTURES

Common Stock with*	1969	1968	1965	1960
A: No preferred stock	197	238	338	309
B: One class of preferred stock	268	241	204	247
C: Two classes of preferred stock	98	84	50	40
D: Three or more classes of preferred stock	37	37	8	4
	600	600	600	600
E: Companies using term, "Capital Stock"	40	45	78	98
F: Companies included above with two or more classes of common stock	23	14	9	11

*Refer to Company Appendix Section—A: 32, 288, 391, 521; B: 16, 101, 249, 366; C: 25, 297, 325, 644; D: 256, 548, 622; E: 36, 518, 623, 683; F: 233, 299, 598, 692.

Simple Capital Structures

AMERICAN SAINT GOBAIN CORPORATION
Consolidated Balance Sheet

Shareholders' Equity (Note 4):	
Capital stock:	
5% Cumulative preferred, par value—$25 per share; authorized and issued, 160,395 shares	$ 4,009,875
6% Cumulative preference, par value—$100 per share; authorized, issued and outstanding, 30,000 shares	3,000,000
Common, par value—$7.50 per share; authorized, 2,500,000 shares; issued and outstanding, 1,162,943 shares	8,722,073
Additional paid-in capital	6,164,979
Retained Earnings	2,231,676
	24,128,603
Less cost of 5% Cumulative Preferred Stock held in treasury—1,490 shares	32,022
Total Shareholders' Equity	$24,096,581

Note 4: Preferred Stock—(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. The sinking fund provides for contributions based on annual earnings with a maximum limit of $175,000 per year. However, under the restrictions contained in the indenture agreements covering the Company's long-term debt, no payments may be made in 1970 to the sinking fund without prior consent of the holders of at least two-thirds of the debt. At December 31, 1969, cumulative payments to the sinking fund amounting to $350,000 were omitted due to the long-term debt restrictions. The stock is callable at the option of the Corporation at $25.25 per share, plus accrued and unpaid dividends. As of December 31, 1969, thirty-five quarterly dividend payments amounting to approximately $10.94 per share or $1,738,023 in the aggregate were unpaid. The holders of this Preferred Stock presently have the right to elect two directors in addition to the directors elected by the holders of Common Stock.

(b) 6% Cumulative Preference Stock:

The 6% Cumulative Stock is callable at the option of the Corporation at prices ranging downward from $102.00 per share plus accrued and unpaid dividends. As of December 31, 1969, thirty-two quarterly dividend payments amounting to approximately $47.26 per share or $1,417,900 in the aggregate were unpaid. The stock has no voting rights.

AVON PRODUCTS, INC.
Consolidated Statement of Financial Condition

Shareholders' Equity	
Capital stock, par value $1.00	
Authorized 32,400,000 shares	
Issued 28,747,804 shares—1969	$ 28,748,000
Capital surplus	3,263,000
Retained earnings	203,213,000
	$235,224,000

CAMPBELL SOUP COMPANY

Consolidated Balance Sheet

	(000 omitted)
Capital and Income retained in the business	
Capital—Note 5	$ 53,708
Income retained in the business	421,034
Capital stock in treasury, at cost—Note 5	(7,976)
	$466,766

Note 5 (in part): *Capital*—Authorized capital stock is 40,000,000 shares of $.60 par value. Changes in capital during the year were:

	Capital stock	Capital surplus	Total capital
July 28, 1968	$20,146	$33,259	$53,405
Issued under terms of Senior executive stock option plans	11	292	303
August 3, 1969	$20,157	$33,551	$53,708

Shares outstanding were 33,343,040 at August 3, 1969 and 33,312,062 at July 28, 1968 after deducting shares in treasury of 251,326 and 264,474 respectively.

COPPERWELD STEEL COMPANY

Statement of Financial Position

Shareholders' Equity:	
Preferred stock, par value $50 each—authorized and unissued 130,000 shares	
Common stock, par value $2.50 each—authorized 5,000,000 shares; outstanding (less 1,250 shares in treasury) 2,428,911 shares	$ 6,072,278
Amount paid-in in excess of par value of stock—net	13,122,404
Retained earnings	36,629,250
Total shareholders' equity	$55,823,932

Note 7: At December 31, 1969, 227,785 shares of the authorized and unissued common stock were reserved for conversion of the 5% Convertible Subordinated Debentures, and 100,000 shares were reserved for stock options.

THE SUPERIOR OIL COMPANY

Consolidated Balance Sheet

Stockholders' Equity (Note 6)		
Common Stock of $2.50 par value		
Authorized shares	10,000,000	
Issued shares	4,250,140	
Shares in treasury	152,440	
Outstanding shares	4,097,700	$ 10,625,350
Additional paid-in capital		873,797
Retained earnings		311,315,975
		$322,815,122

Note 6: *Stock Option and Stock Bonus Plans*—On May 14, 1969, the stockholders approved a Qualified Stock Option Plan under which options to purchase shares of the Company's common stock may be granted to certain employees at a price not less than the fair market value at date of grant. A maximum of 80,000 shares may be granted under this plan. No options were granted in 1969.

On May 14, 1969, the stockholders approved a Restricted Stock Bonus Plan under which stock bonuses may be awarded through calendar year 1978 to key employees. Awards to all employees may not exceed 4,000 shares annually. During 1969, 4,000 shares of the Company's Treasury Stock were awarded as restricted stock bonuses. An amount equal to the market value of the shares awarded will be charged against income over a two-year period. Additional paid-in capital has been increased by $706,323, such amount being the difference between cost and market value of the shares at date of the award.

Complex Capital Structures

ATLANTIC RICHFIELD COMPANY

Consolidated Balance Sheet

Shareholders' Equity:	
Cumulative preferred stock 3.75% series B, par $100 (aggregate value in voluntary liquidation $35,728,000); shares authorized and issued 352,000 (Note 6)	$ 35,200,000
$3 cumulative convertible preference stock, par $1 (aggregate value in liquidation $197,148,000) (Notes 6 and 7), shares authorized 4,230,849; issued 2,464,346	2,464,000
$2.80 cumulative convertible preference stock, par $1 (aggregate value in liquidation $814,919,000) (Notes 6 and 7), shares authorized 15,200,000; issued 11,641,697	11,642,000
Common Stock, par $5 (Notes 6 and 7), shares authorized 75,000,000; issued 44,412,631	222,063,000
Capital in excess of par value of stock	696,503,000
Net income retained for use in the business	1,742,421,000
	2,710,293,000
Less cost of common shares treasury stock	667,000
	$2,709,626,000

Note 6: *Capital Stock*—The 3.75 percent series B preferred stock is redeemable at the option of the Board of Directors, and is entitled to $101.50 a share upon redemption or voluntary liquidation.

The 4⅜ percent convertible debentures due 1983 are convertible into $3 cumulative convertible preference stock at $37.50 a share until April 15, 1973, and thereafter at increasing prices. The $3 cumulative convertible preference stock is convertible into 1.70 shares of common stock.

The 4⅜ percent convertible debentures due 1986 are convertible into $2.80 cumulative convertible preference stock and common stock at $75 until December 1, 1971, and thereafter at increasing prices. The $2.80 cumulative convertible preference stock is convertible into 0.6 shares of common stock.

At December 31, 1969, shares of the Company's authorized and unissued capital stock were reserved as follows:

$3 Preference Stock:	
Conversion of 4⅜% debentures due 1983	15,077
Stock Option Plans	—
	15,077
$2.80 Preference Stock:	
Conversion of 4⅜% debentures due 1986	520,872
Stock Option Plans	91,750
	612,622
Common Stock:	
Conversion of 4⅜% debentures	625,046
Conversion of $3 preference stock*	4,215,019
Conversion of $2.80 preference stock*	7,040,068
Stock Option plans	536,732
Warrants—Gulf & Western Industries, Inc.	618,360
Incentive Compensation Plan	1,586
	13,036,811

*Includes conversion and stock options above.

The warrants issued to Gulf & Western Industries, Inc., exercisable at $125 per share and terminating December 31, 1976, are not exercisable or transferable until December 31, 1970. Exercise of the warrants would not have a dilutive effect on earnings per share.

Under the Company's Incentive Compensation Plan, awards of the Company's common stock may be made to directors, officers and key employees.

Note 7: *Stock Options*—Options to purchase shares of the Company's capital stock have been granted to executives and key em-

ployees. These options become exercisable in varying installments and expire five to ten years after date of grant.

Transactions during 1969 were:

	Shares Under Option		
	$3 Preference Stock	$2.80 Preference Stock	Common Stock
Balances, Jan. 1, 1969	5,500	173,450	363,467
Options cancelled or expired	—	1,550	5,984
Options granted	—	—	99,225
Options exercised	5,500	80,150	129,141
Balances, Dec. 31, 1969	—	91,750	327,567
Average price per share	—	$41.35	$59.99
Number of shares exercisable, Dec. 31, 1969	—	68,600	175,282
Shares available for Option, Dec. 31, 1969	—	—	209,165

Note 8: *Earned per Share*—Earnings per share are based on the average number of common shares outstanding during the year including the common stock equivalents of convertible securities and outstanding options. The dividends and interest attributable to the convertible securities are considered to be available to common shares.

THE FLINTKOTE COMPANY

Consolidated Balance Sheet

Shareholders' Equity	
Preferred stock (aggregate involuntary and voluntary liquidation or redemption) amounts $43,102,000 and $45,341,770 at December 31, 1969, respectively (Note 4)	$ 26,362,962
Common stock, $5 par (Note 5): Authorized 10,000,000 shares; issued, 1969, 5,653,497 shares; 1968, 5,643,636 shares, stated at	61,120,278
Capital surplus from retirement of preferred stock (Note 4)	466,796
Retained earnings	108,472,689
	196,422,725
Less, Treasury stock at cost (Note 4)	293,827
	$196,128,898

Note 4: Preferred stocks comprise:

	Shares Authorized	Shares Issued	Amount
December 31, 1969:			
$4 cumulative, no par	42,335	42,335	$ 4,490,156
4½% convertible second, $100 par	70,758	70,033	7,003,300
$4.50 Series A convertible second, $100 par	119,475	119,252	11,925,200
$2.25 Series B convertible second, no par	648,000	398,800	2,944,306
			$26,362,962
December 31, 1968:			
$4 cumulative, no par	52,887	52,887	$ 5,609,328
4½% convertible second, $100 par	72,965	70,788	7,078,800
$4.50 Series A convertible second $100 par	120,225	120,225	12,022,500
$2.25 Series B convertible second, no par	648,000	398,800	2,944,306
			$27,654,934

Each share of the 4½%, $4.50 and $2.25 series preferred stock is convertible into 3.000, 2.678 and 1.111 shares of common stock, respectively.

The $4 preferred stock has a sinking fund provision requiring the annual redemption of 2,000 shares. This requirement has been met.

Treasury stock at December 31, 1969 consisted of 4,903 shares of $4 preferred (7,402 shares of $4 preferred and 750 shares of $4.50 Series A preferred at December 31, 1968.) During 1969, 10,552 shares of $4 preferred and 750 shares of $4.50 Series A preferred were retired.

The excess ($435,389) of the paid-in amount over the cost of preferred stock retired in 1969 is included in capital surplus from retirement of preferred stock.

Note 5: Common stock:

	Number of Shares Issued	Amount Stated
December 31, 1968	5,643,636	$60,865,014
Conversion of preferred stock:		
755 shares of 4½% preferred	2,265	75,500
223 shares of $4.50 preferred	596	22,264
Exercise of stock options	7,000	157,500
December 31, 1969	5,653,497	$61,120,278

In 1969 the shareholders approved a stock option plan authorizing the Company, for a ten-year period, to grant options to certain officers and employees to purchase a maximum of 100,000 shares of common stock. The option price may not be less than the fair market value at date of grant. During 1969, options for 66,900 shares at $23.875 per share were granted under this plan, and options for 7,000 shares were exercised under a previous plan.

At December 31, 1969, there were outstanding stock options to purchase 130,550 shares of common stock at $22.50 and $23.875 per share. 33,100 shares were reserved for future options.

Common stock reserved for conversion of preferred stock and 4½% debentures aggregated 996,162 shares at December 31, 1969.

HUDSON PULP & PAPER CORP.

Balance Sheet

Stockholders' Equity:		
Capital Stock—Note C:		
Cumulative Preferred Stock outstanding, par value $25 per share:		
5% Series A—42,082 shares	$ 1,052,050	
5.12% Series B—38,265 shares	956,625	
5.7% Series C—48,000 shares	1,200,000	
6¼% Series D—60,000 shares	1,500,000	
	4,708,675	
Cumulative Second Preferred Stock, $1.41 Series, par value $24.50 per share—outstanding—129,558 shares	3,174,171	
Common Stock, par value $1 per share:		
Class A—issued, 654,390 shares	654,390	
Class B—issued, 500,000 shares	500,000	
	9,037,236	
Capital Surplus—Note C	7,424,749	
Retained Earnings	35,118,154	
	51,580,139	
Less: 25,090 shares of Common Stock, Class A, in treasury, at cost	652,016	
Total Stockholders' Equity	$50,928,123	

Note C: *Stockholders' Equity*—As at December 31, 1969, the authorized capital stock of the Company consists of (a) 203,600 shares of Cumulative Preferred Stock with a par value of $25.00 per share, (b) 184,850 shares of Cumulative Second Preferred Stock, $1.41 Series, with a par value of $24.50 per share and (c) 1,500,000 shares of Common Stock with a par value of $1.00 per share.

The Cumulative Preferred Stock is redeemable at prices ranging from $26.31 to $25.00 per share and the Cumulative Second Preferred Stock is redeemable at prices ranging from $24.80 to $24.50 per share.

The number of shares of Cumulative Preferred Stock shown as outstanding is net of 2,918 shares of Series A and 2,535 shares of Series B held in treasury. The number of shares of Cumulative Second Preferred Stock shown as outstanding is net of 5,292 shares in treasury.

The shares of Common Stock, Classes A and B, are equal in all respects except that, in any year prior to January 1, 1972, cash dividends on Class A may be declared in excess of those declared on the Class B, but such excess may be not more than $1.50 per share annually. Since March 1, 1965, there has been no disparity in the rate per share paid on these two classes.

During the period, the Company purchased or redeemed 22,731 shares of Cumulative Preferred Stock (par value $568,275) and retired 25,000 shares (par value $625,000). The Company also purchased 2,051 shares of Cumulative Second Preferred Stock (par value $50,250) and retired 10,000 shares (par value $245,000). The foregoing purchases resulted in an increase of $32,452 in Capital Surplus. The annual sinking fund requirements (25,000 shares of Cumulative Preferred Stock and 10,000 shares of Cumulative Second Preferred Stock) have been met as at December 31, 1969.

Under a 1969 Stock Option Plan, options to purchase 50,000 shares of Class A Common Stock at market price at date of grant may be granted to executive employess. As at December 31, 1969, an option to purchase 10,000 shares at $35.25 per share was outstanding and 40,000 shares were available for grant under the Plan.

Under a nonqualified Stock Option Incentive Plan, options to purchase 20,000 shares of Class A Common Stock may be granted to executive personnel at prices determined by the Board of Directors. As at December 31, 1969, an option to purchase 10,000 shares at $35.25 per share was outstanding and 10,000 shares were available for grant under the Plan.

LING-TEMCO-VOUGHT, INC.

Consolidated Balance Sheet

Shareholders' Equity—Notes D and E

	(In Thousands)
$5 Series A cumulative convertible preferred stock, par value $5 (liquidating preference $50,864,000 at December 31, 1969)	$ 2,522
Special Stock, Class AA accumulating convertible, par value $0.50	827
Common stock, par value $0.50	1,212
Capital surplus	234,150
Retained earnings	29,463
Total Shareholders' Equity	$268,174

Note D: Capital Shares—Changes in outstanding capital shares during the year ended December 31, 1969, are presented in the following summary:

	$5 Series A Preferred Par Value $5	Special Stock Class AA Par Value $.50	Common Stock Par Value $.50
Outstanding at January 1, 1969	512,054	1,723,169	2,071,753
Conversion of preferred shares	(11,537)	—	16,844
Exercise of stock options	3,920	—	30,530
Exercise of warrants	—	—	13,554
Conversion of Special Stock, Class AA	—	(117,647)	99,995
Stock dividend 3%	—	48,165	—
Treasury shares issued in exchange for minority interest in the common shares of JLI (see Note A)	—	—	182,083
Treasury shares issued in exchange for minority interest in an affiliated company	—	—	9,000
Outstanding at December 31, 1969	504,437	1,653,687	2,423,759

The above amounts do not include 1,755,918 common shares and 308,730 Series A preferred shares held in treasury at December 31, 1969, and 1,947,001 common shares and 308,730 Series A preferred shares so held at December 31, 1968.

The Company's authorized capital shares are described as follows:

	1969	1968
Preferred stock, $5 par value (designated as "$5 Series A Cumulative Convertible Preferred Stock, $5 par value")	1,300,000	1,300,000
Preferred stock, $1 par value (undesignated and unissued at December 31, 1969 [see Note A as to additional series to be designated in 1970])	1,261,554	1,261,554
Special Stock, $0.50 par value (of which 7,350,000 shares have been designated as "Class AA Accumulating Convertible Stock")	15,000,000	15,000,000
Common stock, $0.50 par value	40,000,000	20,000,000

The $5 Series A cumulative preferred stock is convertible into common stock on the basis of one share of preferred stock for 1.2 common shares, at any time prior to May 1, 1977. Such conversion ratio is subject to adjustment in order to prevent dilution of the conversion rights. The stock is subject to redemption on or after June 30, 1972, at $100 per share plus accumulated unpaid dividends, and 10% of total shares which have been issued are required to be redeemed on May 1, in each of the years 1983 through 1992. However, such redemptions are subject to deferment under certain conditions. The Series A preferred stock is entitled to cash dividends at the annual rate of $5 per share, cumulative and payable before any dividends are paid on common stock. In the event of liquidation, the Series A preferred stock is entitled to receive $100 per share plus accumulated dividends, and as of December 31, 1969, the amount of such preference was $48,342,000 in excess of par value. In the opinion of the Company's counsel, the existence of this excess imposes no restriction upon retained earnings. The Series A preferred shares are also entitled to participate on a share-for-share basis in any assets remaining after the common stock, exercisable at a price of $27.50 per share to January 8, 1973,

The Special Stock, Class AA, is convertible into common shares at any time after issuance at conversion ratios increasing annually from 0.95 share of common stock at December 31, 1969, to 1.50 shares of common stock in 1980 for each share of Special Stock. The shares of Special Stock are entitled to cumulative stock dividends of 3% in each year through 1992. Such dividend shares are also convertible into common stock on the above basis.

Note E: Common Stock Reserved—During 1969, the Company assumed certain common stock purchase warrants of Jones & Laughlin Industries, Inc., which became warrants to purchase 912,063 shares of the Company's common stock at a price of $60 per share. In addition, warrants to purchase 200,000 shares of common stock, exercisable at a price of $27.50 per share to January 8, 1973, and $40 per share thereafter, were issued in connection with the five-year Eurodollar bank loan (see Note C). At December 31, 1969, the Company had reserved shares of its common stock as follows (see Note F concerning shares reserved for option plans, and see Note A with respect to Okonite warrants to be assumed by the Company):

Reserved for:

	Shares	Price Per Share
Warrants expiring:		
January 10, 1972	176,955	$ 49.27
June 1, 1973	563,100	121.00
June 15, 1973	200,025	121.00
January 8, 1975	200,000	27.50
January 15, 1978	4,971,821	100.19
December 31, 1978	34,118	130.69
April 1, 1979	912,063	60.00
Conversion of 5% Guaranteed debentures of a subsidiary	655,762	118.00
Conversion of Special Stock, Class AA	2,480,530	
Conversion of $5 Series A preferred stock	605,324	

All numbers of shares and prices are subject to adjustment in accordance with anti-dilution provisions, and the data shown above reflect such adjustments as determined as of December 31, 1969.

STANDARD MOTOR PRODUCTS, INC.

Consolidated Balance Sheet

Stockholders' Equity (Notes E and F)

Common Stock—Par Value $2.00 per Share	
Class "A"—Authorized 2,000,000 Shares —Issued—604,648 Shares	$ 1,209,296
(Including 3,000 Shares held in Treasury in 1969)	
Class "B"—Authorized—941,000 Shares— Issued and Outstanding—329,649 Shares	659,298
	$ 1,868,594
Capital in Excess of Par Value	2,258,796
Retained Earnings	9,241,543
	$13,368,933
Less: Cost of 3,000 Shares of Class "A" Common Stock held in Treasury	54,480
	$13,368,933

Note E: Common Stock—Cash dividends paid on each share of the Class "B" common stock are limited to 2% of the dividends declared on each share of Class "A" common stock. No dividends may be declared on either class of common stock without being

declared on both classes, and stock dividends, if declared, must be paid in shares of the same class as the shares entitled thereto.

Each share of Class "B" common stock may be converted, at the option of the holder thereof, into one share of Class "A" common stock. This option is exercisable during the month of May or at any time pursuant to a public offering of the Class "B" common stock. In May 1968, 8,000 shares of Class "B" common stock were converted into Class "A" common stock. The Certificate of Incorporation provides that the converted shares may not be reissued. As a result, the authorized Class "B" stock was reduced to 941,000 shares.

At December 31, 1969, 329,649 shares of the authorized Class "A" common stock were reserved for issuance upon conversion of Class "B" common stock, 31,066 shares were reserved for issuance upon conversion of the 4¾% Subordinated Convertible Debentures, and 64,150 shares were reserved under the company's stock option plans.

During 1969, 75,192 shares of Class "A" common stock were issued upon conversion of debentures and 2,700 shares were issued upon exercise of stock options. The principal amount of the debentures converted and the proceeds received from the exercise of the stock options amounted to $1,126,315, after deducting applicable expenses, and was credited to the common stock ($153,784), the capital in excess of par value ($954,371) and to the treasury stock ($18,160) accounts.

Note F—Stock Option Plans—At December 31, 1969, 25,100 shares of Class "A" common stock were available, under the company's stock option plans, for grant to employees at a price not less than 100% of the fair market value of the stock at the time the option is granted.

During 1969, options to purchase 10,700 shares were granted, options for 2,700 shares were exercised and options for 2,000 shares were terminated.

There were outstanding options, at December 31, 1969, to purchase 39,050 shares at prices ranging from $10.625 to $19.00 per share. The optioned shares had an aggregate fair market value, at the respective dates of grant, of $603,300. Each option is exercisable in whole or in part during the five years following the date of grant and while the holder is an employee of the company.

No accounting is made for options until they are exercised, at which time the excess of the option price over the par value of the common stock issued will be credited to the capital in excess of par value account.

THE STANDARD OIL COMPANY (An Ohio Corporation)

Stockholders' Equity	
Capital stock—Note E	
Preferred—cumulative, $100 par value	
Series A, 3¾%	$ 14,443,000
Series B, 4% convertible	9,588,000
Special—without par value	425,344,000
Common—$5 par value	67,084,000
	516,459,000
Additional paid-in capital	174,547,000
Retained earnings	304,162,000
	995,168,000
Less capital stock in treasury—at cost	
Preferred—Series A	678,000
Common	9,591,000
	10,269,000
	$984,899,000

Note E: Capital Stock at December 31, 1969

	Authorized	Shares Issued
Preferred—cumulative, $100 par value (issuable in series)	424,251	
Series A, 3¾%		144,426
Series B, 4% convertible		95,885
Special—without par value—Note B	1,000	1,000
Common—$5 par value	40,000,000	13,416,752

Shares issued include 8,878 Series A preferred and 165,811 common shares held in treasury.

Provisions of the preferred stock require annual retirement of 2% of the aggregate number of shares of Series A theretofore issued and, starting in 1979, 5% of the aggregate number of shares of Series B theretofore issued. The Company may redeem Series A at a price of $100 per share. Series B may be redeemed at a price of $150 per share through January 15, 1971, at $104 per share through January 15, 1972, such price decreasing annually thereafter to a minimum of $100. Series B is convertible into common stock at a conversion price of $67.087 per share, and 142,926 shares of common stock are reserved for conversion.

Each share of special stock has rights equivalent to those of a holder of 4,466 shares of common stock, except that until January 1, 1975, or such earlier date as the rate of sustainable net production of crude oil from the Prudhoe Bay properties in Alaska equals or exceeds 200,000 barrels per day, such special stock is not entitled to dividends. After the earlier of such dates, if a dividend is declared on the common stock, a dividend must also be declared on the special stock in an amount commensurate with the number of shares of common stock to which the special stock is then equivalent. The number of shares of common stock to which each share of special stock is equivalent is based on the achievement of sustainable net production from the Prudhoe Bay properties, at any time prior to January 1, 1978, as set forth in the table below:

Rate of Sustainable Net Production (Barrels Per Day)	Number of Shares of Common Stock to which each Share of Special Stock is Equivalent
200,000	6,903
250,000	7,870
300,000	8,933
350,000	10,109
400,000	11,415
450,000	13,947
500,000	14,517
550,000	15,111
600,000	15,730

The special stock includes provisions restricting, among other things, changes in its terms, disposition of the Prudhoe Bay or other properties, mergers, and issuance of senior shares. It also places limitations on cash dividends and other capital stock transactions, and contains antidilution provisions.

COMMON STOCK

The valuation bases at which common stock is shown in the balance sheet are summarized in Table 2-50. As in prior years, the majority of the companies show common stock at par value.

The terms used to describe the status of common stock are summarized in Table 2-51. Paragraph 36 of Accounting Principles Board *Opinion No. 9* defines outstanding stock as excluding reacquired or treasury stock.

> 36. The computation of earnings per share should be based on the weighted average number of shares outstanding during the period. Minor increases and decreases in the number of common shares outstanding during the period may be disregarded; under

TABLE 2-50: COMMON STOCK—VALUE SHOWN

Basis of Valuation	1969	1968
Par value stock:		
At par value	501	494
At assigned value per share	5	7
At amount in excess of par value per share	44	41
No par value stock:		
At assigned value per share	17	17
At aggregate value	55	56
	622	615

TABLE 2-51: COMMON STOCK STATUS

Number of Shares Shown For*	1969	1968	1965	1960
A: Authorized, issued	340	330	308	245
B: Authorized, outstanding	142	126	142	151
C: Authorized, issued, outstanding	136	157	153	196
Other	4	2	6	19
Total	622	615	609	611

*Refer to Company Appendix Section—A: 62, 189, 538, 686; B: 118, 124, 292, 702; C: 91, 110, 222, 414.

these conditions, the computation may be based on the number of common shares outstanding at the end of the period. For purposes of determining the number of shares outstanding, reacquired shares (including treasury stock) should be excluded. Major increases or decreases should be taken into consideration as discussed below.

Examples of common stock presentations follow.

Par Value Stock—Extended at Par Value

AMERICAN BANK NOTE COMPANY
Consolidated Balance Sheet

Capital Stock:	
Six Per Cent. Cumulative Preferred, par value $50 (ten votes per share):	
Authorized and issued —	
15,410 shares—1969 and 17,580 shares —1968	$ 770,000
Preference, par value $50:	
Authorized—500,000 shares; issued—none	—
Common, par value $5 (one vote per share):	
Authorized—2,000,000 shares	
Issued—1,316,583 shares	6,583,000

G. C. MURPHY COMPANY
Consolidated Balance Sheet

Shareholders' Equity:	
Preferred stock, $50 par value:	
Authorized: 3,000,000 shares	
Common stock, $1 par value (Note 2):	
Authorized: 12,000,000 shares	
Issued: 4,259,000 shares	$ 4,259,000
Capital in excess of par value	9,338,391
Earnings retained in the business	94,675,149
	108,272,540
Less common shares in treasury, at cost: 1969, 237,000 shares	6,136,338
Total shareholders' equity	$102,136,202

Note 2: Qualified Stock Option Plan—Under the Qualified Stock Option Plan approved by shareholders, 85,000 shares of common stock of the Company are reserved for issuance to officers and management employees. The plan provides that the option price shall not be less than 100 percent of the fair market value of such shares on the date of grant. Such options are not exercisable during the first year following their grant. Thereafter, provided employment continues, generally one-fourth of the options granted become exercisable annually. Options expire five years after date of grant.

Options for 68,501 shares were outstanding at December 31, 1969 at an exercise price of $28.9375 per share. No options were granted, canceled or exercised during the year.

Par Value Stock—Extended at Stated Value

THE AMERICAN SHIP BUILDING COMPANY
Consolidated Balance Sheet

Shareholders' Equity:	
Preferred shares, $1 par value; authorized 1,000,000 shares; none issued	$ —
Common shares, $1 par value; authorized 7,500,000 shares; issued 1,472,245 shares stated at $4 per share	5,888,980
Capital surplus	2,208,172
Retained earnings	9,215,891
	$17,313,043
Less—Cost of shares (56,177) held in treasury	531,046
Total shareholders' equity	$16,781,997

R. H. MACY & CO., INC.
Consolidated Statement of Financial Condition

Investment of Shareholders:	
Cumulative preferred shares, 500,000 authorized; par value $100 each—	
4¼% Series A—165,600 shares issued; 5,990 in treasury; 159,610 outstanding, callable at $107.50 each	$ 15,961,000
4% Series B—100,000 shares issued and outstanding; annual sinking fund payments of 20% from 1971 to 1975	10,000,000
Preference shares, $5.00 par value per share—1,000,000 authorized and unissued	—
Common shares, $0.25 par value, assigned value $3.75 per share—20,000,000 authorized; 9,342,777 issued; 15,756 in treasury; leaving 9,327,021 outstanding (Notes 4 and 5)	34,976,329
Additional paid-in capital	28,320,807
Earnings reinvested in the business at August 2, 1969, $78,100,000 is not distributable to common shareholders under terms of long-term debt agreements	130,610,487
Total investment of shareholders	$219,868,623

Note 4: The conversion prices of the three issues of outstanding convertible subordinated debentures and the number of common shares reserved at August 2, 1969 for such conversions are as follows:

	Conversion price	Number of shares reserved
5%, due 1977	$ 8.00	51,388
4¼%, due 1990	30.00	500,931
5%, due 1992	36.00	620,600
		1,172,919

Note 5: The Corporation's Employee Stock Option Plans provide, as to grants prior to January 1, 1964, for 10-year options exercisable in nine installments and, as to grants after that date, for 5-year options exercisable in four installments, commencing, in each instance, 18 months from grant dates.

The changes during the year in the number of shares subject

to outstanding options were as follows:

Outstanding at August 3, 1968	491,346
Granted ($31.50 to $39.25 per share)	31,000
Exercised ($9.41 to $26.75 per share)	(78,699)
Canceled	(22,950)
Outstanding at August 2, 1969	420,697
Exercisable at August 2, 1969	157,997

Options outstanding at the year-end are exercisable at $10.31 to $39.25 per share, representing 100% of market price on dates of grant.

Unoptioned shares available for issuance under the Plans were:

August 3, 1968	298,800
August 2, 1969	290,750

SHELL OIL COMPANY
Statement of Financial Condition

Shareholders' Investment	
Common stock, authorized 80,000,000 shares, $1.00 par value, issued 1969—67,535,293 and 1968—67,479,613 shares at stated value	$ 234,112,000
Amount in excess of common stock stated value	582,464,000
Retained earnings	1,859,820,000
	2,676,396,000
Less: 1969—150,850 and 1968—93,885 shares held in treasury, at cost	8,826,000
Total Shareholders' Investment	$2,667,570,000

No Par Stock—Extended at Stated Value

BIRD & SON, INC.
Consolidated Balance Sheet

Stockholders' Equity:	
5% cumulative preferred stock, par value $100 per share, callable at $110 per share:	
Authorized—50,000 shares	
Issued—30,000 shares	$ 3,000,000
Common stock, without par value, stated at $5 per share:	
Authorized and issued — 600,000 shares	3,000,000
Other capital	926,000
Retained earnings	33,532,000
	40,458,000
Less—Treasury stock, at cost:	
Preferred—14,855 shares	(1,372,000)
Common—59,809 shares	(1,631,000)
	$37,455,000

SETON COMPANY
Consolidated Balance Sheet

Stockholders' equity (Notes 3 and 4):	
Preferred stock:	
Authorized 1,000,000 shares	
Issued—None	
Common stock, no par value:	
Authorized—5,000,000 shares	
Issued—1,000,000 shares at stated value of $.50 each	$ 500,000
Less, in treasury—171,000 shares	85,500
	414,500

Note 3: Stockholders' equity—On March 18, 1969, shareholders approved a change in authorized stock of the Company. The amended certificate of incorporation authorized the change in common stock from 1,000,000 shares, without par value, stated value $1 per share, to 5,000,000 shares, without par value, stated value $.50 per share; and also authorized 1,000,000 shares of a new class designated Preferred Stock. The shareholders also approved a two-for-one stock split to be effected by changing each issued share of common stock, without par value (including 85,500 shares held as treasury stock), stated value $1 per share into two shares of common stock, stated value $.50 per share.

For comparative purposes, common stock at December 29, 1968 has been stated on the new basis.

Note 4: Stock options—During the year, the Company adopted a qualified stock option plan for key employees of the Company and its subsidiaries. Under the plan, options to purchase 60,000 shares of common stock of the Parent company may be granted from time to time to employees at a price not less than 100% of the fair market value on the date of grant. Options granted are exercisable over a five year period and no options may be granted after February 5, 1979.

At December 28, 1969, options to purchase 14,250 shares of common stock at $16.125 per share were outstanding and 45,750 shares were available for future grants.

BEATRICE FOODS CO.
Consolidated Balance Sheet

Stockholders' Equity (Note 6):	
Preference stock, liquidation preference $56,820,400 (1968—$26,814,980, restated $69,314,980)	$ 23,118,730
Common stock	80,732,036
Capital surplus	11,897,963
Earned surplus (retained earnings)	187,060,457
	302,809,186
Less common stock in treasury, at cost	46,143
Stockholders' equity	$302,763,043

Note 6: Capital Stock—The following is a summary of the shares of capital stock authorized, issued and outstanding at February 28, 1969 and February 29, 1968. The 1969 figures reflect the distribution on March 3, 1969 of one additional share of common stock for each share held by the common stockholders of record January 31, 1969 and a change in the stated value per share of common stock from $7.25 to $3.65.

	1969	1968 (Restated)
Preference stock (without par value). Authorized 2,500,000 shares (1968—850,000 shares). Issued and outstanding:		
$4.00 convertible, first series, $100 stated value (97,500 shares converted into common stock in July, 1968)	$ —	$ 9,750,000
$2.70 convertible, $60 stated value, 131,235 shares (1968—176,083 shares)	7,874,100	10,564,980
$4.50 convertible, first series, $100 stated value, 65,000 shares	6,500,000	6,500,000
$4.00 convertible, second series, $10 stated value, 374,463 shares (1968—375,000 shares)—preference in liquidation $100 per share	3,744,630	3,750,000
$4.50 convertible, second series, $100 stated value, 50,000 shares	5,000,000	5,000,000
	$23,118,730	$35,564,980
Common stock (without par value). Authorized 35,000,000 shares (1968—15,000,00 shares). Issued 22,118,366 shares with $3.65 stated value, including 1,468 shares in treasury (1968—10,698,379 shares with $7.25 stated value)	$80,732,036	$77,563,248

The decrease in outstanding shares of preference stock results from conversions into common stock. The outstanding shares of preference stock are convertible into shares of common stock at specified prices per share of common stock. There are 1,604,898 shares of common stock reserved for this purpose at February 28, 1969.

Certain agreements under which the Company has acquired other companies provide for issuance of additional shares of the Company's common stock contingent upon the attainment of specified

future earnings levels by the companies acquired. At February 28, 1969, 693,262 shares of common stock are reserved for this purpose.

During the year the Company purchased 16,448 shares of its common stock for the treasury and used 33,993 treasury shares in connection with acquisition of other companies.

STANDARD BRANDS INCORPORATED
Consolidated Balance Sheet
Stockholders' Equity:

Preferred Stock	$ 20,000,000
Common Stock	26,718,896
Capital Surplus	9,074,784
Retained Earnings	215,323,020
	271,116,700
Less—Capital Stock Held in Treasury, at cost	9,770,348
	$261,346,352

Notes to Financial Statements (in part)

Preferred stock without par value: Authorized 5,000,000 shares issuable in series; issued 200,000 shares of $3.50 cumulative preferred stock at stated value of $100 a share, redeemable at $100 a share. In Treasury 73,798 shares at cost of $5,134,644. Common stock without par value: Authorized 20,000,000 shares; issued 13,359,448 shares at December 31, 1969, at stated value of $2.00 a share. In Treasury 166,070 shares at cost of $4,635,704. Average number of shares outstanding—13,185,672 shares during 1969.

At December 31, 1969, options to purchase 155,392 shares of common stock were held by officers and key employees at option prices equivalent to market prices at time of grant. During the year, options for 3,500 shares were terminated, and 22,461 shares were issued upon exercise of options. The increase in Capital Surplus represents the excess of the proceeds over the stated value of the shares issued.

Common Stock Authorized, Issued

WYANDOTTE INDUSTRIES CORPORATION
Consolidated Balance Sheet
Capital stock—common (par value $5 per share).

Authorized 900,000 shares; issued 860,385 shares	$4,301,925

Common Stock Authorized, Outstanding

CLAROSTAT MFG. CO., INC.
Consolidated Balance Sheet
Common stock, $1 par value:

Authorized 750,000 shares; outstanding 554,194 shares after deducting 25,309 shares in treasury	$554,194

SIGNODE CORPORATION
Consolidated Balance Sheet

Common stock, $1 par value; 8,000,000 shares authorized and 4,251,584 shares outstanding in 1969	$4,252,000

Common Stock Authorized, Issued, Outstanding

HEWLETT-PACKARD COMPANY
Consolidated Financial Position
Shareowners' Equity:

	(Stated in shares)	(*Thousands of dollars*)
Common stock, par value $1 a share:		
Authorized	15,000,000	
Reserved for:		
Stock options	416,521	
Employee stock purchase and award plans	160,612	
Issued and outstanding	12,649,731	$12,650

PULLMAN INCORPORATED
Consolidated Balance Sheet
Stockholders' Equity

	Shares	
Common stock, no par value (stated value $20 per share)		
Authorized	7,750,000	
Issued	4,820,969	
Held in treasury	123,165	
Outstanding	4,697,804	$93,956,000

PREFERRED STOCK

Table 2-52 shows the various bases used by the 600 survey companies for valuing preferred stock. As with common stock, the majority of issues are valued at par.

The terms used to describe the status of preferred stock are summarized in Table 2-53.

Examples of preferred stock presentations follow.

TABLE 2-52: PREFERRED STOCK—VALUE SHOWN

Basis of Valuation	1969
Par value stock:	
At par value	199
At assigned value	10
No par stock:	
At assigned value per share	65
At assigned value—per share value not disclosed	46
At liquidating value	13
	333
Number of Companies:	
Showing preferred stock outstanding	258
Not showing preferred stock outstanding	342
	600

Par Value Preferred Stock—Extended at Par Value

CORNING GLASS WORKS
Consolidated Balance Sheet
Liabilities and Stockholders' Equity
Preferred Stock—3½%, redeemable, par value $100 each
Authorized—58,000 shares
Issued (less in Treasury)—10,342 shares (Note 6) $1,034,200

Note 6: Preferred stock—Preferred stock purchases totalled 1,097 shares in 1969 and 5,120 shares in 1968, and their par value was charged to Preferred Stock. The difference between par value and purchase price, amounting to $27,777 in 1969 and $74,585 in 1968, was credited to Common Stock (including excess over par value).

Stated capital was reduced $200,000 in January 1970 and February 1969 by the cancellation of 2,000 reacquired shares of preferred stock in each year to satisfy annual Sinking Fund requirements.

WESTINGHOUSE ELECTRIC CORPORATION
Consolidated Balance Sheet
Stockholders' Equity:
Preferred stock $30,482,000
Cumulative preference stock .... —
Financial Review

Common and Preferred Shares authorized and outstanding at December 31, 1969 (in part):

	Authorized	Outstanding
Cumulative preferred stock, par value $100	374,846	—
3.80% Series B	—	304,820
Cumulative preference stock, without par value	10,000,000	—
Common stock, par value $6.25	50,000,000	39,714,177

Par Value Preferred Stock—Extended at Stated Value

GAF CORPORATION
Consolidated Balance Sheet
Shareholders' Equity:
Preferred stock, $1 par value, authorized 6,000,000 shares; $1.20 convertible series outstanding — 1969, 3,161,714 shares; 1968, 3,155,882 shares; at assigned value of $1.25 per share (liquidation value 1969, $86,947,135) $3,952,142

LYKES-YOUNGSTOWN CORPORATION
Consolidated Balance Sheet
Stockholders' Equity:
Preferred stock $1 par value, 15,000,000 shares authorized
Series A convertible preferred stock, issued 5,514,259 shares at stated value of $19.40 per share (aggregate liquidation preference $325,418,000) $106,977,000
$4 Series convertible preferred stock, issued 37,074 shares at stated value of $38.85 per share (aggregate liquidation preference $6,327,000) 1,440,000

F. W. WOOLWORTH CO.
Consolidated Balance Sheet
Shareholders' Equity:
(Note C)
Preferred stock—par value $1 per share:
Authorized—7,000,000 shares
Issued—$2.20 Series A Convertible Preferred at stated value $4.73⅓ per share, 1,796,303 shares in 1969, 1,788,575 shares in 1968, (1969 involuntary liquidation value, $80,833,635) $8,502,501

Note C (in part): Shareholders' Equity—The $2.20 Series A convertible preferred stock is cumulative, voting and convertible at any time at the rate of 1.42 shares of common stock for each share of preferred stock, subject to antidilution provisions. The Company has reserved 2,725,546 shares of common stock for the conversion. The initial redemption price of the preferred stock, commencing January 1, 1976, is $47.50 per share; after 1976 the redemption price reduces $.50 annually until it reaches $45.00 per share in 1981.

In May 1969 the shareholders approved an increase from 2,000,000 to 7,000,000 authorized shares of preferred stock of $1 par value issuable in series at the discretion of the Board of Directors.

No Par Preferred Stock

ANCHOR HOCKING CORPORATION
Consolidated Balance Sheet
Preferred stock $4—cumulative-without par value (stated and redeemable at $107 a share)
Authorized 60,500 shares; issued 30,500 shares less 18,729 in treasury $1,259,497
Serial preference stock—$1 par value
Authorized (1969) 5,000,000 shares; issued —none .... —

ARMSTRONG CORK COMPANY
Notes to Financial Statements
Note 6: Stockholders' Equity—

	1969 (000)	1968 (000)
Preferred stock, $3.75 cumulative, no par value. Authorized 161,821 shares; issued 161,522 shares (at redemption price of $102.75 per share)	$16,596	$16,596
Voting preferred stock, no par value. Authorized 1,500,000 shares; issued 100,000 shares, $2.375 cumulative convertible series (at $50.00 stated value)	5,000	5,000

CROWN ZELLERBACH CORPORATION
Balance Sheet
Crown Zellerbach Corporation Stockholders: ers:
Cumulative preferred stock (Note 6):
No par value $100 liquidation and stated value.
Authorized 447,426 shares, issuable in series:
Initial series $4.20 stock, at December 31, 1969 issued and outstanding 200,529 shares $20,053,000

Note 6: Cumulative Preferred Stock—The Articles of Incorporation require an annual retirement fund deposit of $530,000 or, in lieu thereof, the application of purchased shares against such requirements at the rate of $102.50 a share. Current purchases of preferred stock have provided for this requirement through July 31, 1975.

BORG-WARNER CORPORATION
Balance Sheet
Shareholders' equity:
Capital stock:
Preferred stock, liquidation preference $34,772,300 (Note 7) $2,173,269

Note 7: Capital Stock—Details of shares of capital stock outstanding at December 31, 1969 and 1968 are as follows:

	Authorized	Issued	In treasury
Preferred stock, no par value:	4,997,850		
$4.50 Cumulative Convertible, Series A:			
1969		347,723	—
1968		349,873	—
Common stock, $2.50 par value:	35,000,000		
1969		19,476,650	958,068*
1968		19,431,321	535,079*

*Excluding shares held for distribution under Contingent Compensation Plan: 1969, 47,000 shares ($1,414,732); 1968, 22,896 shares ($699,505).

The preferred stock, Series A, has a stated value of $6.25 a share and an involuntary liquidation value of $100 a share. Cumulative cash dividends are payable thereon at the annual rate of $4.50 per share, payable quarterly. This stock is convertible, at the option of the holder, into two and one-half shares of common stock of the Company. Of the preferred shares originally issued, 568 were repurchased and 1,582 were converted during 1969.

THE KENDALL COMPANY
Balance Sheet
Capital and Retained Earnings:
Preferred stock, $4.50 cumulative, no par value:
Authorized and Issued—27,600 shares
Outstanding (excluding shares held for retirement)—20,732 shares in 1969, 23,235 shares in 1968, at involuntary liquidation value $2,073,000
Second preferred stock, no par value:
Authorized—300,000 shares issuable in series
Outstanding—Series A, $3.00 cumulative, convertible—12,800 shares, at involuntary liquidation value 1,408,000

STUDEBAKER-WORTHINGTON, INC.
Consolidated Balance Sheet
Stockholders' Equity:
Preferred stock; authorized 7,500,000 shares;
Series A—$1.40 (convertible into .75 shares of common; $30 liquidating value), issued and outstanding, 2,548,722 and 2,860,938 shares respectively $76,461,660
Series B—$5 (convertible into 1.5 shares of common; $100 liquidating value), issued and outstanding, 142,907 and 146,256 shares respectively 14,290,700

Preferred Stock Authorized, Issued

ALUMINUM COMPANY OF AMERICA
Consolidated Balance Sheet
Shareholders' Equity
Capital stock:
Serial preferred stock, par value $100, authorized 1,000,000 shares:
$3.75 cumulative preferred stock, authorized 660,000 shares; issued 659,909 .... $65,990,900

TABLE 2-53: PREFERRED STOCK—STATUS

Number of Shares Shown For*	1969	1968
A: Authorized, issued	138	117
B: Authorized, outstanding	122	123
C: Authorized, issued, outstanding	69	80
Outstanding, no disclosure of authorized shares	4	6
Total	333	326

*Refer to Company Appendix Section—A: 199, 344, 651; B: 208, 374, 385, 624; C: 163, 513, 535.

AMERICAN CAN COMPANY
Statement of Financial Position (In Thousands of Dollars)
Capital:
Capital stock:
Preferred, 7 per cent, cumulative and noncallable, par value $25 per share; authorized 1,760,000 shares, issued 1,661,502 shares $41,538
Preference, without par value; authorized, 5,000,000 shares, issued, none .... —

Preferred Stock Authorized, Outstanding

AVCO CORPORATION
Consolidated Financial Position (Thousands of dollars)
Stockholders' Equity
Preferred stock, without par value:
Authorized: 6,458,000 voting shares
Designated: $3.20 cumulative convertible, stated at $6 per share
Outstanding: 4,954,056 shares in 1969 (liquidation preference: $198,162,000) .. $29,724

Preferred Stock Authorized, Issued and Outstanding

HAMPTON SHIRT CO., INC.
Consolidated Balance Sheet
Capital Stock:
First Preferred—$7 Cumulative—Par Value $100.00 Per Share
Authorized—22,500 Shares
Issued and Outstanding—8,359.50 Shares. $835,950
Second Preferred—Par Value $1.00 Per Share
Authorized—1,000,000 Shares
Issued—None .... —

THE DUPLAN CORPORATION
Consolidated Balance Sheet
Stockholders' Equity
Preferred stock, par value $10 per share
Authorized, 500,000 shares
Preferred stock, $4.00 convertible, Series A, authorized 22,500 shares, issued and outstanding 22,500 shares (aggregate redemption preference $2,250,000) $225,000
Preferred stock, $4.00 convertible, Series B, authorized 18,500 shares, issued and outstanding, 3,480 shares (aggregate redemption preference $348,000) 34,800

LIQUIDATION PREFERENCE OF PREFERRED STOCK

Paragraph 10, quoted below, of *Opinion No. 10* expresses a recommendation of the Accounting Principles Board that the total excess of liquidating value over carrying value of preferred stock be disclosed in the balance sheet.

> 10. Companies at times issue preferred (or other senior) stock which has a preference in involuntary liquidation considerably in excess of the par or stated value of the shares. The relationship between this preference in liquidation and the par or stated value of the shares may be of major significance to the users of the financial statements of those companies and the Board believes it highly desirable that it be prominently disclosed. Accordingly, the Board recommends that, in these cases, the liquidation preference of the stock be disclosed in the equity section of the balance sheet in the aggregate, either parenthetically or "in short," rather than on a per share basis or by disclosure in notes.

Table 2-54 shows that, of 258 companies with preferred stock outstanding, 123 disclosed a liquidation preference in excess of the carrying value of the preferred stock. Examples of disclosures of excess liquidation preferences follow.

TABLE 2-54: PREFERRED STOCK—LIQUIDATION VALUE

Number of Companies	1969	1968	1967
Liquidating value exceeds carrying value:			
Aggregate liquidating value disclosed on face of balance sheet	74	53	38
Aggregate liquidating value disclosed in notes to financial statements or statement of stockholders' equity	31	38	16
Per share liquidating value, only, disclosed	18	19	15
	123	110	69
Liquidating value does not exceed carrying value	29	22	16
Liquidating value not disclosed	106	111	134
Total companies with outstanding preferred stock	258	243	219

Liquidating Value Disclosed in Face of Balance Sheet

DAYCO CORPORATION
Statement of Consolidated Financial Condition

Shareholders' Equity
Preferred Stock, no par value
Authorized 500,000 shares
Series A, voting, $4.25 Cumulative Convertible
Issued and outstanding 100,872 shares at stated amount (aggregate redemption—also liquidation—value at $100 per share—$10,087,200) ... $378,270

DRESSER INDUSTRIES, INC.
Consolidated Balance Sheet

(In Thousands of Dollars)

Shareowners' Equity:
Convertible preferred shares, without par value, stated at $1.00 a share:
$2.20 Series A (liquidating preference $155,150,000 at October 31, 1969) ... $3,427
$2.00 Series B (liquidating preference $70,567,000 at October 31, 1969) ... 1,714

INDIAN HEAD INC.
Consolidated Balance Sheet

Stockholders' Equity:
Preferred stock, without par value, 1,000,000 shares authorized:
$4.50 convertible preferred stock, Series A, at stated value (involuntary liquidation value $40 per share—$11,379,00 in 1969) issued and outstanding 284,476 shares in 1969 ... $1,035,000
$6 preferred stock, Series B, at stated value, issued and outstanding 28,358 shares in 1969 ... 2,836,000

WALTER KIDDE & COMPANY, INC.
Consolidated Balance Sheet

Shareholders' Investment:
Preference shares, $1 par value; authorized 6,000,000 shares, issuable in series:
Series A Convertible Cumulative, outstanding 307,721 and 455,691 shares, respectively (Preference on liquidation $3,692,652 at December 31, 1969) ... $307,721
Series B Convertible Cumulative, outstanding 282,952 shares (Preference on liquidation $25,465,680 at December 31, 1969) ... 282,952

RALSTON PURINA COMPANY
Consolidated Balance Sheet

Shareholders' Equity:
Preferred stock, 6,000,000 shares authorized, $1 par value—
Series A $1.20 Convertible—Outstanding 1,495,782 shares (aggregate involuntary liquidation preference—$54,596,000) ... $1,495,782

PET INCORPORATED
Consolidated Balance Sheet
Stockholders' Investment:
$.80 Cumulative Convertible Preference stock, without par value (involuntary liquidating value of $26,500,000 at March 31, 1969)—
Authorized—1,332,740 shares
Outstanding—1,329,517 shares $8,289,446
Second Preferred stock—
Authorized—2,000,000 shares, without par value
Outstanding—1,329,517 shares $8,289,446
Cumulative Convertible (involuntary liquidating value of $15,700,000 at March 31, 1969) 9,475,208

PLOUGH, INC.
Consolidated Balance Sheet
Shareholders' Equity
Capital stock:
Preferred, par value $1.25 (authorized 4,000,000 shares); $2.20 series (outstanding 548,670—liquidating value $44 per share $24,141,480) $685,837

RCA CORPORATION
Consolidated Financial Position
Shareholders' Equity
Capital stock, no par, at stated value
$3.50 cumulative first preferred stock; authorized 173,280 shares; outstanding: 171,319 shares (preference on liquidation $100 per share: $17,131,900) $2,772,000
Cumulative series first preferred stock; authorized 2,000,000 shares
$4 convertible first preferred stock (Note 6); authorized 1,265,000 shares; outstanding: 1,235,919 shares (preference on liquidation $100 per share: $123,591,900) 9,887,000

Liquidating Value Not in Excess of Carrying Value

BEMIS COMPANY, INC.
Consolidated Balance Sheet
Stockholders' Equity:
First preferred stock, 5%, cumulative, $100 par value:
Authorized—10,000 shares
Outstanding—1,351 shares and 1,457 shares ...... $ 135,100
Series preferred stock, $100 par value, liquidation preference $100 per share:
Authorized—200,000 shares
Outstanding — 135,928 shares and 117,116 shares 13,592,800
Series preferred stock, $1 par value:
Authorized—1,000,000 shares
Outstanding—none ...... —

W. R. GRACE & CO.
Consolidated Balance Sheet (*In Thousands*)
Preferred stock $11,355

Notes to Financial Statements

Note 3 (in part): *Capital Stock*—The preferred stock ($100 par) authorized, issued and outstanding is listed below:

	Shares Authorized and Issued	Shares in Treasury	Outstanding Shares	Outstanding Par Value
6% Cumulative[1]	40,000	12,532	27,468	$ 2,746,800
8% Cumulative Class A[2]	50,000	1,868	48,132	4,813,200
8% Noncumulative Class B[2]	40,000	2,049	37,951	3,795,100
				$11,355,100

[1] Eighty votes per share.
[2] Eight votes per share.

The Company's Certificate of Incorporation also authorizes 5,000,000 shares of a Class C Preferred Stock, without par value, none of which was issued or outstanding at December 31, 1969.

The holders of common stock are entitled to receive dividends, when and as declared by the Board of Directors, after prior and current year dividends on the 6% Cumulative and 8% Cumulative Class A preferred stocks and current year dividends on the 8% Noncumulative Class B preferred stock have been paid or accrued. Upon liquidation, after the payment of the par value of the preferred stocks and the dividends referred to above, the remaining net assets of the Company are to be distributed prorata to the holders of common stock.

WHITE MOTOR CORPORATION
Consolidated Balance Sheet
Shareholders' Equity—Note E
Preferred Stock—without par value:
Authorized—2,000,000 shares
Series A—$6.75 cumulative convertible
Issued and outstanding 157,673 shares $15,767,300

Note E (in part): *Capital Stock*—The Series A, $6.75 Cumulative Convertible Preferred Stock issued in connection with the acquisition described in Note A to the consolidated financial statements is convertible into 2.38 shares of Common Stock, and has preference in liquidation of $100 per share (stated amount). Further, such shares are redeemable at any time after February 18, 1975, at a price of $100 a share and at any time prior thereto with the consent of the initial holder of such shares at a price per share ranging from $106.75 in 1970 to $100 in 1975, and must be redeemed, to the extent of twenty percent of the shares initially issued, in each of the years 1975 through 1979. At December 31, 1969, there were reserved 375,412 shares of Common Stock for conversion of the Series A Preferred Stock.

INTERCO INCORPORATED
Consolidated Balance Sheet
Stockholders' Equity:
Preferred stock, at stated and liquidating value:
First preferred—Series A $15,799,000
First preferred—Series B 15,199,480
Second preferred—Series C 16,238,900
$47,237,380

Notes to Consolidated Financial Statements

Preferred Stock—The company's preferred stock is issuable in series. Authorized preferred stock consists of 577,060 shares of first preferred (Series A and B) and 1,000,000 shares of second preferred (Series C) without par value. Such stock is summarized as follows:

Series A—$4.75 cumulative, with stated and involuntary liquidating value of $100 per share; issued 157,990 shares (166,099 in 1968); callable beginning in 1974 at $104.75, decreasing to $100.00 in 1981; convertible into 4.3478 shares of common stock.
Series B—$2.10 cumulative, with stated and involuntary liquidating value of $40 per share; issued 379,987 shares (386,134 in

1968); callable beginning in 1975 at $42.10, decreasing to $40.00 in 1985; convertible into 2 shares of common stock.
Series C—$5.25 cumulative, with stated and involuntary liquidating value of $100 per share; issued 162,389 shares (162,146 in 1968); callable beginning in 1975 at $105.25, decreasing to $100 in 1985; convertible after March 31, 1970 into 3.0534 shares of common stock.

Former shareholders of Campus Sweater & Sportswear Company are to receive 37,895 shares of Series C preferred stock plus options for 1,644 additional shares, based upon earnings of Campus through December 31, 1969. Also, options are outstanding at November 30, 1969 for 4,767 shares of Series B and 7,049 shares of Series C preferred stock at an average price of $33.65 and $67.35, of which 4,180 and 3,403 shares, respectively, are exercisable.

ADDITIONAL CAPITAL

Accounting Terminology Bulletin Number 1, Review and Résumé, issued by the committee on terminology of the American Institute of Certified Public Accountants as a part of *Accounting Research and Terminology Bulletins, Final Edition,* 1961, 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.*

Table 2-55 indicates that there is a continuing trend away from the use of the term *surplus* for captions describing additional capital in the balance sheet. In 1969, 172 companies used the term *surplus* as compared to 203 in 1965 and 239 in 1960. Captions used to describe additional capital, along with the frequency of their use, are shown in Table 2-55.

Examples of the terminology for additional capital as used by the survey companies follow.

TABLE 2-55: ADDITIONAL CAPITAL—TITLE

Title of Caption	1969	1968	1965	1960
Captions avoiding term "surplus":				
Capital in excess of par or stated value	135	137	128	93
Additional paid-in capital	114	112	86	70
Paid-in capital, or other paid-in capital	20	15	12	11
Additional capital, or other capital	39	38	41	29
Other captions using the term "capital"	21	18	6	26
Captions avoiding use of term "capital"	10	10	16	22
Subtotal	339	330	289	251
Captions including term "surplus":				
Capital surplus	138	141	159	179
Paid-in surplus	33	38	43	47
Other	1	3	1	13
Subtotal	172	182	203	239
Total	511	512	492	490
Number of Companies				
Presenting one additional capital account	507	504	492	490
Presenting two additional capital accounts	2	4	N/C	N/C
Not presenting any additional capital account	91	92	108	110
Total	600	600	600	600

N/C—Not compiled.

Using Word "Capital"

AMERICAN BILTRITE RUBBER CO., INC.

Stockholders' Equity	
First Preferred Stock, 6½% cumulative, par value $100 a share, callable at $120 a share:	
Authorized and issued 6,613 shares	$ 661,300
Second Preferred Stock, $.80 cumulative, without par value, callable at $18.50 a share:	
Authorized 200,000; issued 87,439 shares	1,311,585
Common Stock, without par value:	
Authorized 4,000,000 shares; issued 2,813,488 shares	18,020,587
Donated capital	400,000
Retained earnings	31,190,968
	51,584,440
Less cost of shares in treasury—2,522 shares of First Preferred Stock; 54,587 shares of Second Preferred Stock and 13,788 shares of Common Stock	1,242,406
	$50,342,034

BLISS & LAUGHLIN INDUSTRIES INCORPORATED

Shareholders' Investment:	
Capital stock:	
Preferred stock, no par value; authorized 1,000,000 shares; no shares issued	$ —
Common stock, $2.50 par value; authorized 5,000,000 shares; issued 2,767,975 shares (Note 4)	6,919,938
Additional capital (Note 4)	5,304,109
Retained earnings	29,644,533
Treasury stock, at cost, 899 shares	(23,341)
	$41,845,239

Note 4: The Company issued 111,694 shares of previously unissued common stock in 1969 in connection with the conversion of the 5¾% convertible subordinated debentures. The Company acquired 69,428 shares of treasury stock in 1969, issued 64,000 treasury shares for the business and net assets of two companies, and sold 9,800 treasury shares to employees under a stock purchase plan.

CARNATION COMPANY

Investment of Stockholders, represented by:	
Common stock, $2.00 par value— Authorized, 15,000,000 shares Outstanding, 7,641,186 shares	$15,282,372
Other capital (transferred from retained earnings in connection with stock dividends)	55,116,620
Retained earnings, per accompanying statement	213,324,680

FANSTEEL INC.

Shareholders' Equity:	
Common stock, par value $5 per share Authorized—5,000,000 shares Issued—2,048,609	$10,243,045
Capital in excess of par value of shares	7,879,010
Earnings retained in the business	18,048,059
	$36,170,114

HONEYWELL INC.

Stockholders' Equity:	
Preference stock—(authorized, 750,000 shares of $100 par value each; outstanding, none)	
Common stock—$1.50 par value each (authorized, 20,000,000 shares; outstanding, 1969, 15,237,508 shares)	$ 22,856,262
Additional paid-in capital	131,500,358
Retained earnings (1969, $128,551,744 unrestricted under long-term debt agreements)	339,758,749
Total stockholders' equity	$494,115,369

LOEW'S THEATRES, INC.

Shareholders' Equity:	
Common stock, par value of $1 per share, outstanding shares stated at par value	$ 14,438,263
Additional paid-in capital (Note 6)	105,586,717
Earnings retained in the business	139,700,599
Total shareholders' equity	$259,725,579

Note 6: Additional Paid-In Capital—Changes in additional paid-in capital were as follows:

Balance, August 31, 1968	$ 6,632,284
Fair value of warrants issued in acquisition	103,658,512
Exercise of warrants	8,704
Exercise of stock options	1,845,667
Conversion of 5½% convertible subordinated debentures	188,605
Transfer to common stock in connection with 3-for-1 stock split	(6,747,055)
Balance, August 31, 1969	$105,586,717

MIDWEST RUBBER RECLAIMING COMPANY

Stockholders' Equity	
Common stock, $2.50 par value, authorized 750,000 shares in 1969—issued 439,233 shares in 1969	$1,098,083
Contributed capital (no change during year)	2,138,798
Earnings retained in the business (at October 31, 1969, $458,446 was available for cash dividends on common stock, under terms of the 4⅞% long-term loan agreement)	5,214,702
Common stock held in treasury, at cost, 1,750 shares in 1969	(14,000)
Stockholders' Equity	$8,437,583

NATIONAL PRESTO INDUSTRIES, INC.

Stockholders' Equity:	
Common stock, $1 par value: Authorized: 2,000,000 shares Issued: 1,499,866 shares	$ 1,499,866
Paid-in capital	7,585,539
Retained earnings	38,309,991
	47,395,396
Treasury stock, at cost, 75,000 shares in 1969	2,205,839
	$45,189,557

A. E. STALEY MANUFACTURING COMPANY

Stockholders' Equity	
Cumulative preference stock	$ 1,022,000
Common stock	26,371,000
Capital in addition to par or stated value	1,899,000
Earnings reinvested	68,036,000
Stockholders' Equity	$97,328,000

WARNER-LAMBERT PHARMACEUTICAL COMPANY

Stockholders' Equity	
Common stock, par value $1 per share Authorized: 35,000,000 shares Outstanding: 1969—30,194,634 shares; 1968—29,942,947 shares	$ 30,195,000
Capital in excess of par value of common stock	88,091,000
Retained earnings	265,315,000
Stockholders' equity	$383,601,000

Not Using Word "Capital"

AMPCO METAL, INC.

Shareholders' Investment:	
Common stock, par value $1.00 per share authorized 1,500,000 shares outstanding 874,221 shares	$ 874,221
Amount paid in in excess of par value of stock issued	857,776
Accumulated earnings	9,840,295
	$11,572,292

GARLOCK INC.

Shareholders' Ownership:	
Minority interest in subsidiaries	$ 1,617,475
Garlock Inc. shareholders:	
Preferred stock (authorized, 300,000 shares of $1 par value each, undesignated; issued, none)	—0—
Common stock (authorized, 5,000,000 shares of $1 par value each; issued, 2,034,580 shares)	2,034,580
Excess of shareholders' investment over par value of common stock	2,196,204
Retained Earnings	26,620,476
Total	30,851,260
Less treasury stock at cost (1969—81,479 shares)	758,291
Total ownership—Garlock Inc. shareholders (outstanding, 1969—1,953,101 shares)	$30,092,969

LaBARGE, INC.

Stockholders' Equity (Note 6):	
Preferred stock, par value $1 per share	
Authorized and unissued — 2,000,000 shares	
Common stock, par value $.25 per share	
Authorized—15,000,000 shares	
Issued—6,893,733 shares in 1969	$1,723,433
Premium on common stock	1,635,040
Retained earnings	4,082,431
	$7,440,904

Note 6: Stockholders' equity—At December 31, 1969 options for 143,600 shares of common stock were outstanding at an average price of $5.83 per share. The options are nontransferable and provide generally that the holder thereof must be an employee on the date exercised. All options issued to officers and employees expire within five years from the date granted.

During the year ended December 31, 1969 options for 84,100 shares of common stock were granted. Options to purchase 30,400 shares of common stock were exercised during 1969. A warrant covering 10,000 shares of common stock expired September 14, 1969. No accounting recognition is given to options until they are exercised. 100,000 shares of common stock were issued in connection with an underwriting in May, 1969. Debentures with a principal amount of $3,000 were converted into 400 shares of common stock.

The increase in premium on common stock during the year ended December 31, 1969 represents the amounts received over the par value of common stock issued in connection with either the exercise of options, the underwriting or conversion of debentures. Such increase was reduced by underwriting and acquisition costs incurred amounting to $99,773.

THE QUAKER OATS COMPANY

	(thousands of dollars)
Shareholders' Equity:	
Preferred, $50. par value, $3 cumulative convertible, authorized 169,004 shares; issued 163,272 shares	$ 8,163
Preferred, $100. par value, 6% cumulative	—
Common, $5. par value, at June 30, 1969, authorized 15,000,000 shares; issued 8,423,793 shares	42,119
Amount in excess of par value	15,688
Reinvested earnings	139,567
	205,537
Less stock held in treasury (at cost):	
Common (194,600 shares, 1969)	9,858
	$195,679

Notes to Financial Statements (in part)

Changes in Common stock, Amount in excess of par value, and Common stock held in treasury during the year ended June 30, 1969 are summarized as follows:

(Amounts in thousands of dollars)

	Common stock		Amount in excess of	Common stock held in treasury	
	Shares	Amount	par value	Shares	Amount
Balance at beginning of year	8,222,623	$41,113	$10,018	67,100	$2,453
Stock options exercised	201.152	1,006	5,596		
Conversion of $3 preferred stock	18		1		
Purchase of common stock				134,300	7,654
Sale of common stock to trustee of profit sharing plan (deduct)			73	(6,800)	(249)
Balance at end of year	8,423,793	$42,119	$15,688	194,600	$9,858

Two Captions for Additional Capital

BARTON DISTILLING COMPANY

Shareowners' Equity:	
Preferred shares, $100.00 par value, 6% cumulative—authorized, issued and outstanding, 1,875 shares	$ 187,500
Common shares, $1.00 par value—authorized 3,000,000 shares; issued—1969, 2,464,368 shares	2,464,368
Additional paid-in capital	5,460,783
Contributed capital (Note 4)	922,640
Retained earnings	15,645,281
Total	24,680,572
Less common shares held in treasury at cost—1969, 12,218 shares	138,803
Shareowners' Equity—Net	$24,541,769

Note 4: Contributed Capital—One of the Company's wholly owned subsidiaries, together with one of its affiliates, have received grants in aid as an incentive for the construction of distilling facilities in foreign countries, as follows:

Country	Amount
Canada	$802,795
United Kingdom	119,845
Total	$922,640

RETAINED EARNINGS

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 2-56 indicates a continuing decline in the use of the term *earned surplus* and an increase in the

TABLE 2-56: RETAINED EARNINGS—TITLE

Caption in Balance Sheet	1969	1968	1965	1960
Retained earnings:				
Used alone	394	380	253	157
With additional words	54	75	113	133
Earnings—with other words	70	53	75	79
Income—with additional words	34	39	46	52
Earned surplus—used alone	38	45	95	162
Other	1	1	3	14
Subtotal	591	593	585	597
Companies with deficits	9	7	15	3
Total	600	600	600	600

use of the term *retained earnings*, the term used by many of the survey companies. The table reveals the utilization of primary and secondary words to describe retained earnings in the manner recommended by the committee. Examples illustrating use of these terms by the survey companies follow.

Retained Earnings

ADAMS-MILLIS CORPORATION

Shareholders' Equity	
Preferred Stock (authorized: 500,000 shares of no par value, and 500,000 shares of $50 par value; none issued)	
Common Stock, no par value: Authorized 6,000,000 shares Issued and outstanding: 1969—1,877,700 shares	$ 8,109,056
Earnings retained for requirements of the business	9,185,798
Total Shareholders' Equity	$17,294,854

FOREMOST McKESSON, INC.

Stockholder Equity	
Prior preferred stock (cumulative), 4½%, $50 par value authorized 94,041 shares; outstanding 88,013 shares (1969)	$ 4,400,000
Cumulative preferred stock, $1.80 Series A (convertible), $35 par value authorized 2,900,000 shares; outstanding 2,314,490 shares (1969)	81,007,000
Common stock, $2 par value authorized 20,000,000 shares; issued 11,069,812 shares (1969)	22,140,000
Other capital	3,334,000
Retained earnings	81,219,000
Reacquired common shares (36,400), at cost	(1,108,000)
Stockholder equity—net	$190,992,000

FORD MOTOR COMPANY

	(*in millions of dollars*)
Stockholders' Equity:	
Capital stock, par value $2.50 a share, 1969—109,316,726 shares and 1968—109,513,556 shares	$ 273.3
Capital account in excess of par value of stock	342.5
Earnings retained for use in the business	4,606.2
Total stockholders' equity	$5,222.0

THE MAY DEPARTMENT STORES COMPANY

Stockholders' Investment:	
Preferred stock	$ 13,673,050
Common stock	37,635,915
Additional paid-in capital	36,047,526
Accumulated earnings retained in the business	327,463,244
	$414,819,735

MEREDITH CORPORATION

Stockholders' Equity:	
Common stock, par value $5 per share Authorized 5,000,000 shares; issued and outstanding 2,779,406 shares (2,744,343 shares in 1968)	$13,897,030
Additional paid-in capital	3,163,577
Retained earnings used in the business	41,637,143
Total Stockholders' Equity	$58,697,750

TEXAS GULF SULPHUR COMPANY

Stockholders' Equity:		
Capital stock, without par value — Authorized 45,000,000 shares; issued as follows:		
Outstanding	30,386,007	
In treasury	4,173,993	
Issued	34,560,000	$ 26,175,000
Capital surplus from sale of treasury stock		903,175
Retained earnings, invested in the business		342,884,391
		369,962,566
Less cost of treasury stock		25,508,923
Stockholders' Equity		$344,453,643

Earnings—Other Captions

AMERICAN SMELTING AND REFINING COMPANY

Stockholders' Equity	
Common Stock Authorized—at December 31, 1969—40,000,000 shares without par value. Issued 29,757,144 shares	$364,719,351
Earnings Employed in the Business	295,288,471
	660,007,822
Less: Treasury Stock, at cost (1969—822,235 shares)	19,262,944
Total Stockholders' Equity	$640,744,878

DENNISON MANUFACTURING COMPANY

Stockholders' Equity	
Debenture Stock, $8 cumulative, par value $100 per share: Authorized and issued 29,420 shares —Liquidation value $4,707,200	$ 2,942,000
$1 Cumulative Convertible Preferred Stock, par value $10 per share Authorized 1,000,000 shares; issued 606,559 shares less 114,213 shares in Treasury — Liquidation value $10,831,612	4,923,460
Common Stock, par value $5 per share Authorized 6,000,000 shares; issued 2,677,229	13,386,145
Capital in excess of par value	8,865,632
Earnings Reinvested	34,331,551
	64,448,788
Less cost of Common Stock in Treasury—153,774 shares in 1969	621,391
	$63,827,397

OSCAR MAYER & CO. INC.

Shareholders' Equity:	
Common stock, $5 par value—	
Authorized—10,000,000 shares	
Outstanding — 9,194,952 (adjusted for stock split)	$45,974,760
Accumulated earnings in use in the business	52,387,818
Total Shareholders' Equity	$98,362,578

MSL INDUSTRIES, INC.

Shareholders' Investment:	
Common shares, without par value, stated at $1 per share; authorized 4,000,000 shares; issued 1,734,980 in 1969	$ 1,735,000
Paid-in capital	11,099,000
Reinvested earnings	34,599,000
Treasury shares (21,504 in 1969), at cost	(449,000)
Total shareholders' investment	$46,984,000

J. P. STEVENS & CO., INC.

	Shares	*(Amounts in thousands)*
Shareowners' Equity:		
Capital stock—par value $15 a share:		
Authorized	7,500,000	
Issued	6,251,388	$ 93,771
Capital in excess of par value		73,081
Accumulated earnings		227,126
		393,978
Less: Cost of capital stock held in treasury, 99,109 shares		4,161
Total Shareowners' Equity		$389,817

Income Retained, Etc.

AMERICAN ENKA CORPORATION

Stockholders' Equity:	
Capital	
Preferred stock—without par value; authorized 1,000,000 shares, issued—none	
Common stock $1.25 par value; authorized 20,000,000 shares, issued 8,132,688 shares	$ 10,165,860
Capital in excess of par value	15,209,071
	25,374,931
Accumulated income reinvested in the business	129,231,573
	154,606,504
Treasury stock: 1969—139,150 shares	3,363,069
Total stockholders' equity	$151,243,435

MINNESOTA MINING AND MANUFACTURING COMPANY

Stockholders' Investment:	
Common stock, without par value:	
Authorized—75,000,000 shares;	
Issued—56,058,093 shares	$136,781,000
Net income retained for use in the business	847,076,000
Total stockholders' investment	$983,857,000

FALSTAFF BREWING CORPORATION

Shareowners' Equity:	
Capital stock:	
Preferred—authorized, 500,000 shares of a par value of $20 a share; issued and outstanding—none	
Common — authorized, 6,000,000 shares of a par value of $1 a share; issued (including shares held in treasury), 4,530,025 shares	$ 4,530,025
Paid-in surplus (no change during the period)	9,885,001
Retained income	37,577,513
Common capital stock held in treasury (at cost)—33,400 shares in 1969 (deduction)	(435,357)

THE HOOVER COMPANY

Stockholders' Equity:	
Common Stock—par value $2.50 a share	
Authorized 7,500,000 shares	
Issued 6,873,089 shares (including shares held in treasury)	$ 17,182,723
Other Capital	12,189,747
Income Employed in the Business	115,428,894
	$144,801,364
Less cost of Common Stock held in treasury (275,292 shares at December 31, 1969)	6,301,613
Total Stockholders' Equity	$138,499,751

UNITED STATES STEEL CORPORATION

Ownership Evidenced By	
Common stock (authorized 90,000,000 shares;	
outstanding 54,168,692 shares at December 31, 1969)	
Par value $30 per share	$1,625,068,860
Income reinvested in business	1,807,536,247
Total	$3,432,605,107

Deficit

THE RATH PACKING COMPANY

Stockholders' Equity:	
Common stock—par value $10 per share:	
Authorized—1,500,000 shares	
Outstanding—999,225	$ 9,992,250
Capital in excess of par value	6,174,904
Accumulated deficit	(6,566,964)
	$ 9,600,190

UNITED FOODS, INC.

Stockholders' Equity	
Common stock—par value $1.00 per share	
Shares authorized 2,500,000	
Shares issued 1,407,064; reserved for stock options 35,735; reserved for payment and conversion of notes 609,240	$1,407,064
Additional paid-in capital	4,223,885
(Deficit) retained earnings	(4,439,045)
	$1,191,904
Less treasury stock at cost—3,941 shares	17,738
	$1,174,166

HYGRADE FOOD PRODUCTS CORPORATION

Stockholders' Equity:	
Capital stock:	
Preferred stock:	
Authorized—95,850 shares of $100 par value	
Outstanding:	
Series A, 4% cumulative—6,304 shares issued, less 482 shares held in treasury	$ 582,200
Series B, 5% cumulative—12,432 shares	1,243,200
Preference stock:	
Authorized—500,000 shares of $1 par value	
Outstanding—220,000 shares	220,000
Common stock:	
Authorized—5,000,000 shares of $5 par value	
Issued 815,853.26 shares, less 50,-773.71 shares held in treasury—765,079.55 outstanding	3,825,398
	5,870,798
Capital surplus	16,203,001
Retained earnings (deficit)	(7,440,350)
	$14,633,449

STRUTHERS WELLS CORPORATION

Shareholders' Equity	
$1.25 Cumulative Preferred Stock—	
No par value—Callable at $26 a share	
Authorized—123,388 shares	
Issued—82,533 shares—At stated value of $25 per share	$ 2,063,325
Second Preferred Stock—	
$10 par value	
Authorized and unissued — 1,000,000 shares	
Common Stock—	
$1 par value	
Authorized—5,000,000 shares	
Issued-1969—2,186,766 shares	2,186,766
Additional Paid-In Capital	10,663,457
Deficit	(3,501,238)
	$11,412,310

DATED RETAINED EARNINGS

Accounting Research Bulletin No. 46, issued in 1956 by the committee on accounting procedure of the American Institute of Certified Public Accountants, states:

1. Paragraph 10 of Chapter 7(a), *Quasi-Reorganization or Corporate Readjustment,* of Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins,* 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.

2. The committee believes 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 believes that there may be exceptional circumstances in which the discontinuance of the dating of earned surplus could be justified at the conclusion of a period less than ten years.

The following paragraph of *Opinion No. 11—Accounting for Income Taxes,* issued in December 1967 by the Accounting Principles Board of the Institute, is also related to dated retained earnings.

50. Tax effects of loss carry*forwards* arising prior to a quasi-reorganization (including for this purpose the application of a deficit in retained earnings to contributed capital) should, if not previously recognized, be recorded as assets at the date of the quasi-reorganization only if realization is assured beyond any reasonable doubt. If not previously recognized and the benefits are actually realized at a later date, the tax effects should be added to contributed capital because the benefits are attributable to the loss period prior to the quasi-reorganization.

Table 2-57 indicates that four companies referred to a readjustment of retained earnings in their 1969 annual reports. Excerpts from the 1969 annual reports of these companies follow.

TABLE 2-57: DATED RETAINED EARNINGS

Companies with Readjustment of Retained Earnings	1969	1968	1965	1960
Number of years since date of readjustment:				
Ten or more	—	—	2	2
Less than ten	4	4	5	4
Readjustment in current year	—	1	2	2
Prior year's report shows:				
Readjustment, within the past ten years, but no reference thereto in current report	—	—	1	N/C
Subtotal	4	5	10	8
No reference to readjustment in current or prior year's report	596	595	590	592
Total	600	600	600	600

N/C—Not compiled.

GENERAL PLYWOOD CORPORATION

Stockholders' Equity:	
5% Cumulative Convertible Preferred Stock, par value $20 per share, authorized and issuable 50,000 shares	
Common Stock, par value 50¢ per share, authorized 2,000,000 shares; outstanding 1,307,721 shares, 1969	$ 653,861
Capital surplus	2,618,489
	3,272,350
Retained earnings, since October 31, 1965	477,463
	$3,749,813

GRUEN INDUSTRIES, INC.

Capital:	
Common stock, $1 par value; authorized 4,000,000 shares, issued and outstanding shares, 1969, 1,579,407	$1,579,407
Other paid-in capital	3,944,606
Retained earnings from March 31, 1966, as annexed (Note 6)	1,708,472
	$7,232,485

Note 6: Capital Adjustment—At March 31, 1966, the Board of Directors and stockholders authorized the elimination of a deficit of $68,732 in retained earnings by a charge to other paid-in capital.

OXFORD INDUSTRIES INC.

Stockholders' Equity:		
Common stock—par value $1 a share		
Authorized—3,000,000 shares		
Issued and outstanding:		
Class A—1,882,513 shares at May 31, 1969	$ 1,882,513	
Class B—394,548 shares	394,548	
	2,277,061	
Additional paid-in capital	7,321,493	
Retained earnings—accumulated since July 20, 1960	20,788,222	
	$30,386,776	

PHOENIX STEEL CORPORATION

Shareholders' Equity:	
Common stock	
Authorized 8,000,000 shares, $4 par value	
Issued and outstanding: 1969, 4,070,722	$16,282,888
Capital in excess of par value	16,727,685
Retained earnings (accumulated deficit) since June 1, 1963	(10,395,500)
	$22,615,073

RESTRICTIONS ON RETAINED EARNINGS

Of the 600 survey companies, 431 reported restrictions that limited, either directly or indirectly, the payment of cash dividends. Almost all of the restrictions result from long-term indebtedness with a few, 11 out of 431, resulting from preferred stock agreements or articles of incorporation. Typical examples of restrictions as presented in the 1969 reports follow.

TABLE 2-58: RESTRICTIONS ON RETAINED EARNINGS

Source of Restrictions	1969	1968	1967
Bond or Note Indentures, Credit Agreements	420	418	405
Preferred Stock or Certificate of Incorporation	11	13	6
Total	431	431	411
Nature of Restrictions			
Limitation on retained earnings only	198	197	183
Limitation on retained earnings and working capital	96	139	122
Limitation on retained earnings, working capital and other restrictions	73	41	45
Limitation on retained earnings and other restrictions	35	39	26
Other restrictions	29	15	35
Total	431	431	411
Number of Companies			
Referring to restrictions	431	431	411
Not referring to restrictions	169	169	189
Total	600	600	600

Restrictions Imposed by Indebtedness

ALLIED CHEMICAL CORPORATION
Notes to Financial Statements

Long-Term Debt (in part): At December 31, 1969, under the most restrictive provisions of the loan agreements, $74,700,000 of earnings reinvested was not available for cash dividends.

AMERICAN BAKERIES COMPANY
Notes to Financial Statements

Note 1 (in part): *Long-Term Debt and Lease Obligations*—Under the terms of the 5¼% term loan agreement the company must maintain consolidated net working capital of not less than $10,000,000; consolidated net working capital at December 27, 1969 was $13,257,497.

COLLINS RADIO COMPANY
Notes to Financial Statements

Note 6 (in part): *Shareholders' Equity*—Under the most restrictive credit agreement, cash dividends and amounts which may be expended for redemption of Common Stock subsequent to August 2, 1968 are limited to the greater of (a) 25% of consolidated net income subsequent to August 2, 1968 or (b) $3,500,000. At August 1, 1969 there was $1,126,000 available for such purposes.

CURTISS-WRIGHT CORPORATION
Notes to Financial Statements

Note 5 (in part): *Long-Term Debt*—Among other covenants, the terms of the agreement require the Corporation to maintain consolidated working capital of at least $35,000,000 and to maintain consolidated net worth of at least $60,000,000 in excess of long-term debt as defined.

DICTAPHONE CORPORATION
Notes to Consolidated Financial Statements

Long Term Debt (in part)—The Sinking Fund Notes are payable in annual installments of $260,000 through 1976 and the balance of $360,000 in 1977. The notes contain certain working capital requirements and restrictions on retained earnings for purposes of cash dividends and stock repurchases. At December 31, 1969, approximately $12,000,000 of retained earnings is free of such restrictions. For a temporary period of up to two years beginning January 1, 1970, in consideration of changes in certain covenants, the Company has agreed with the holders of the notes to increase the interest rate from 5¼% to 6¼%.

STANDARD PACKAGING CORPORATION
Notes to Financial Statements

Note 2: Long-Term Debt—Dividend Restrictions, Etc.—(a) The long-term debt at December 31, 1969 and 1968 (except for amounts payable within one year and included in current liabilities) consisted of the following:

	1969	1968
5¾% 21-year notes, maturing serially to 1982	$ 9,760,000	$10,400,000
4⅝% installment notes, maturing serially to 1978	3,750,000	4,250,000
6% subordinated debentures, due 1990*	11,028,789	11,029,285
5.25% convertible subordinated debentures, due 1990*—convertible into one share of common stock for each $24 principal amount	20,203,725	20,204,200
Total	$44,742,514	$45,883,485

*Redeemable at various premium rates at Company option on or after April 30, 1970.

Required annual installment payments on the above long-term debt are $1,140,000 for 1970 through 1977 with varying amounts thereafter.

(b) The long-term debt agreements contain restrictions on the payment of dividends and certain other distributions. The most restrictive of these limit such payments to a percentage of accumulated earnings (as defined). Whether the debtholders will agree to the exclusion of the 1969 extraordinary loss from the calculation of such accumulated earnings has not as yet been finally determined. If it is excluded in a manner similar to the exclusion of the 1968 extraordinary loss, approximately $719,000 of retained earnings at December 31, 1969 was free of restrictions as to payment of cash dividends on common and preferred stock. Pending the resolution of the treatment concerning the 1969 extraordinary loss, the Company has obtained the necessary consents to pay cash dividends on preferred stock during 1970 which, based on preferred stock outstanding as of December 31, 1969, would total approximately $82,000. The agreements also require working capital to be maintained at not less than $30,000,000 and tangible assets in excess of current liabilities (exclusive of the current portion of long-term debt) at not less than 300% of long-term debt other than subordinated debt.

MALONE & HYDE, INC.
Notes to Financial Statements

Note 3 (in part): *Long-Term Debt*—The loan agreement relating to the 5.16% Series A and 5% Series B notes due in 1985 provides that:

(a) The Company will have outstanding no Current Indebtedness for borrowed money for a period of thirty consecutive days in each fiscal year.

(b) The Company is required to maintain Consolidated Current Assets of at least 175% of Consolidated Current Liabilities and Consolidated Net Current Assets equal to at least 150% of the outstanding Funded Debt or $12,000,000, whichever is greater.

(c) The Company will not create, assume or guarantee any additional Unsecured Funded Debt which would create Consolidated Funded Debt of more than 3/7ths of Consolidated Net Worth.

(d) The Company and its Subsidiaries may not acquire, own, or hold, any stock or securities of another corporation, not a subsidiary, in excess of $500,000 in the aggregate, provided, however, that investments may be made in marketable securities in an amount not in excess of the then current reserves of the Company and its Subsidiaries, determined in accordance with generally accepted accounting principles, for redemption of outstanding trading stamps and further provided that investments in common stocks shall not exceed in the aggregate of 60% of such reserves. Investments in direct obligations of the United States of America or Prime Commercial Paper may be made without limitation.

(e) The Company and its Subsidiaries are restricted from making loans or advances or making guarantees of indebtedness of any other person except as set out in paragraph (d) above and for loans and advances or guarantees of indebtedness of affiliated retail stores, provided, however, that all obligations of this nature may not exceed in the aggregate 50% of Consolidated Net Worth.

(f) The Company will not pay any dividends which will exceed, in the aggregate $3,000,000 plus (or minus) 75% of Consolidated Net Income (or Deficit) earned subsequent to June 26, 1965, plus the net proceeds, if any, derived from the sale or exchange of shares of its capital stock (except for capital stock issued in exchange for capital stock of the Company) issued, sold or exchanged after June 26, 1965, including shares issued on conversions of other indebtedness of the Company.

(g) The Company and its Subsidiaries are restricted from entering into leases (other than for office equipment) unless the aggregate Consolidated Net Income available for Fixed Charges during the next preceding accounting period shall have been equal to two and one-half times the sum of (a) the interest on Consolidated Indebtedness, and (b) Rental Obligations on leases of the Company on a consolidated basis for the period.

For the year under review the Company complied with the foregoing provisions.

THE SIGNAL COMPANIES, INC.
Notes to Financial Statements

Note 7 (in part): *Long-Term Debt*—Certain debt agreements contain restrictions in the amount of additional debt, creation of liens and guarantees, and the payment of cash dividends. At December 31, 1969, approximately $118,000,000 of consolidated retained earnings are free of restrictions with respect to the payment of cash dividends on capital stock and for redemptions, purchases, or other acquisitions of stock.

WALWORTH COMPANY
Notes to Financial Statements

Note 2: The Company had outstanding $15,000,000 at December 31, 1969, under a $15,000,000 Revolving Credit Agreement (as amended) with various banks, evidenced by 90-day promissory notes. Interest on the notes is at a rate of ¾% above the prime rate (8½% at December 31, 1969) of the Chase Manhattan Bank, N.A. The Company is also required to pay a commitment fee of ½ of 1% of the unused balance. The credit expires on March 15, 1970 and the principal balance of the notes then outstanding will be payable on their respective due dates during the ensuing 90-day period. Among other covenants, the Company agrees that it will maintain consolidated working capital at not less than $15,000,000, will not declare or pay any cash dividends or purchase any shares of its common stock, and will not create or permit a subsidiary to incur (subject to certain exceptions) additional indebtedness, guarantees and liens.

Note 3: The 4½% and 5¼% notes are payable in semi-annual fixed installments, each aggregating $400,000. Fixed installments in the aggregate amount of $2,400,000 deferred by the lenders in prior years, bear interest at 8½% per annum (payable semi-annually) and are payable in semi-annual amounts of $100,000 commencing September 1, 1970.

Included in the terms of the amended agreements under which the notes were issued is the requirement to maintain consolidated working capital at the greater of $15,000,000, or 150% of consolidated funded debt (as defined) and the imposition of restrictions as to the acquisition by the Company of its common stock, the payment of cash dividends and the creation (subject to certain exceptions) of indebtedness, guarantees or liens. At December 31, 1969, none of the consolidated retained earnings was free of restriction as to payment of cash dividends, and approximately $8,300,000 of future consolidated earnings were so restricted. The Company has pledged the common stock of its domestic subsidiaries as collateral for performance under the agreements.

Restrictions Imposed by Preferred Stock or Certificate of Incorporation

CARRIER CORPORATION
Notes to Consolidated Financial Statements

Note 8: Restrictions on Earnings Retained—The long-term debt agreements and the provisions of the preferred stock issues include

certain restrictions as to the payment of dividends and other distributions. Approximately $81,764,000 of earnings retained was free of such restrictions as of October 31, 1969.

CROWN ZELLERBACH CORPORATION
Notes to Financial Statements

Note 8: Income Retained in the Business—Dividends which can be declared from income retained in the business are restricted under the corporation's Articles of Incorporation and agreements related to long-term debt. There was $128,000,000 available for dividends over the most stringent of these restrictions at December 31, 1969.

WHITTAKER CORPORATION
Notes to Consolidated Financial Statements

Note 4 (in part): *Long-Term and Convertible Subordinated Debt* —The Company has agreements relating to convertible subordinated debentures, lines of credit and preferred stock containing restrictions with respect to the payments of dividends, maintenance of financial ratios, redemption of capital stock and payments to sinking funds. As of October 31, 1969, under the most restrictive covenant of the agreements, retained earnings are restricted as to the payment of cash dividends on common stock. The Company has reserved 1,693,102 shares of common stock at October 31, 1969, for possible issuance upon the conversion of the subordinated indebtedness.

STOCK OPTION AND STOCK PURCHASE PLANS

Chapter 13B of *Accounting Research Bulletin 43,* issued by the committee on accounting procedure of the American Institute of Certified Public Accountants in 1953, discusses the compensation feature involved in stock option and stock purchase plans, and the accounting treatment which should be given thereto. In this connection the following brief quotation may be of interest:

> 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 are exercisable. As to options exercised during the period, disclosure should be made of the number of shares involved and the option price thereof.

TABLE 2-59: EMPLOYEE STOCK OPTION PLANS

Relation of Option Price to Market Value at Date of Grant of Option	1969	1968	1965	1960
Not less than market value	160	124	221	76
Exactly market value	194	182		
Not less than 95% of market value	32	46	55	159
Exactly 95% of market value	34	36	27	59
Market value not shown or referred to	145	155	230	125
Other	42	54	94	34
Total number of plans	607	597	627	453
Number of Companies				
Referring to stock option plans	528	514	484	438
Not referring to stock option plans	72	86	116	162
Total	600	600	600	600
Number of companies with stock purchase plans	79	74	62	59

Stock Option Plans With Sales During Year

AMERADA HESS CORPORATION
Notes to Consolidated Financial Statements

Note 6: Stock Option Plans—Effective June 20, 1969, the date of merger, options outstanding under Amerada's option plans were converted into options for the purchase of $3.50 cumulative convertible preferred stock on a share-for-share basis. Options outstanding at that time under the Hess stock option plans were converted into options for the purchase of Amerada Hess common stock on a share-for-share basis.

Under the stock option plans, options have been granted to key employees to purchase preferred and common shares of the Corporation at prices of not less than 95% (under the restricted plans) and 100% (under the qualified plans) of fair market value at date of grant. The transactions during 1969 are summarized on page 25:

	Preferred stock		Common stock	
	Number of shares	Option price per share	Number of shares	Option price per share
Outstanding January 1, 1969	113,975	$39.40-$87.70	236,140	$10.75-$55.00
Granted	—	—	—	—
Exercised	13,025	$39.40-$44.80	37,960	$10.75-$33.50
Cancelled	4,600	$87.70	5,000	$10.75-$33.50
Outstanding December 31, 1969	96,350	$39.40-$87.70	193,180	$10.75-$55.00
Options exercisable December 31, 1969	96,350		138,860	
Available for future grants	—		118,000	

CONSOLIDATED PACKAGING CORPORATION
Notes to Financial Statements

Note 6: Shareholders' Equity—Capital stock consists of 2,500,000 authorized shares of $5 par value common and 100,000 authorized shares of $50 par value preferred stock. Common shares outstanding at December 31, 1969 and 1968 were 1,466,574 and 1,463,404, respectively. None of the preferred shares has been issued.

The Company has adopted a qualified stock option plan which provides for the issuance of options to key employees to purchase shares of the Company's common stock at the higher of the par value or market value at the date of grant. Such options become exercisable in cumulative installments of one-fourth of the shares in each year after one year from date of grant. At December 31, 1969, options were outstanding for the purchase of 69,750 shares at prices ranging from $5 to $10 per share and 27,200 shares were

available for future grant. During the year 1969, options for 6,250 shares were granted at prices ranging from $7.12 to $10 per share and options for 2,200 shares were exercised at $5 per share.

During the year ended December 31, 1969, 970 shares of common stock were issued under a deferred compensation agreement and the excess of market value over par value was credited to capital in excess of par value.

A long-term note payable of $100,000 due in installments to 1975 is convertible, at the option of the noteholder, into shares of the Company's common stock at a rate of $20 per share.

AVON PRODUCTS, INC.
Notes to Financial Statements

Accounting Policies (in part): *Stock options*—Proceeds from the sale of stock issued under options are credited to capital stock to the extent of the par value and the excess of the option price over par value is credited to capital surplus.

Capital Changes—Transactions under the Company's stock option plans are summarized below:

	Shares Available for Option	Shares Under Option	
		Shares	Range of Prices
January 1, 1969	72,300	232,055	$ 26—$147
Options granted	(72,800)	72,800	$154—$159
Options exercised	—	(11,157)	$ 26—$147
Options cancelled	500	(500)	$147
December 31, 1969	—0—	293,198	$ 26—$159

Options have been granted at prices equal to 95% of market value at dates of grant prior to 1964 and 100% thereafter. The increases in capital stock and capital surplus are attributable to stock issued pursuant to stock option plans.

BELDEN CORPORATION
Notes to Consolidated Financial Statements

Note 8: *Stock Options*—Under stock option plans approved by the stockholders in 1954, 1963 and 1968, officers and other key employees may purchase shares of the Company's common stock. Options become exercisable after one year; those granted prior to 1964 at generally 95% of market price at date of grant and those granted after 1964 at 100% of market value. Options for 16,792 shares were exercisable at the beginning of 1969 and 14,920 shares at year-end. The aggregate to be received by the Company upon exercise of all outstanding options at December 31, 1969, was $1,425,079, an average of $27.79 per share.

The following tabulation sets forth the changes during the year in the Company's various stock option plans:

	Changes in shares available for options	Shares granted under options	
		Price per share at dates of grant	No. of shares
Balance at beginning of year	62,530	$ 8.98-$35.00	33,292
Options granted	(23,595)	25.94- 28.94	23,595
Exercised	—	8.98- 17.50	(5,086)
Cancelled	521	17.50- 34.50	(521)
Balance at end of year	39,456	$ 8.98-$35.00	51,280

Note 9: *Capital in Excess of Par Value*—Changes in capital in excess of par value were as follows:

	1969	1968
Adjustments for pooled companies:		
Preferred stock retired	$ —	($ 3,722)
Stated value of preferred shares issued in excess of stated capital of companies acquired	—	(1,720,168)
Stock options exercised	57,536	105,284
Acquisition expenses	(15,169)	—
Increase (Decrease)	$ 42,367	($1,618,606)

MARLENE INDUSTRIES CORPORATION
Notes to Consolidated Financial Statements

Note 7: *Stock Option Plans*—Under its 1961 Restricted Stock Option Plan, the Company was authorized to grant options covering 75,000 shares of common stock at 85% of the market price on the date of grant. All of the options were granted (February 8, 1965, 45,000 shares at $2.37; January 6, 1966, 30,000 shares at $2.83) and they expire five years after grant. During the current year, options covering 10,125 shares were exercised and 1,275 were cancelled, leaving options covering 13,725 shares outstanding at January 31, 1970 (5,400 at $2.37 and 8,325 at $2.83). The excess of the option price over the $.10 par value of the shares was credited to additional paid-in capital.

On July 15, 1969, the annual Meeting of Shareholders approved the adoption of a Qualified Stock Option Plan under which options covering up to 100,000 shares may be granted at 100% of market value. No options have yet been granted under this plan.

MOBIL OIL CORPORATION
Financial Review

Stock Option Plans—Under the Stock Option Plan approved by shareholders in 1969, options may be granted to key employees to purchase a maximum of 1,000,000 shares of capital stock. No additional options may be granted under the 1960 plan, which terminated in 1965, or under the 1965 plan, which terminated at the time the 1969 plan was adopted. Options are granted at 100% of the fair market value of Mobil stock at the time of the award and generally may be exercised in annual installments after the first year. "Restricted" options, granted prior to January 1, 1964, have a life of 10 years; "qualified" options, granted after that date, have a life of five years.

Transactions in 1969 under the three plans are summarized below:

	1969 Plan	1965 Plan	1960 Plan
January 1, 1969—shares under option	—	455,930	357,085
Options granted at $55.50	401,420	—	—
Options surrendered or cancelled	(1,000)	(11,975)	(16,484)
Options exercised at prices ranging from $18.1875 to $45.50	—	(54,835)	(182,591)
December 31, 1969—shares under option	400,420	389,120	158,010
Options exercisable at December 31, 1969	—	217,970	93,736
at an average price of	—	$45.02	$30.10

At December 31, 1969, there were 599,580 shares available for option under the 1969 plan.

MUNSINGWEAR, INC.
Notes to Consolidated Financial Statements

Note 4: On April 25, 1969, shareholders of the Company approved an increase in the number of authorized shares of common stock from 1,500,000 to 2,500,000 and authorized 150,000 shares of no par value cumulative preferred stock.

Under the 1962 stock option plan for certain executive and administrative employees, options to purchase shares of the Company's common stock have been granted at 100% of fair market value of the shares on the date granted. Such options may not be exercised for one year after date of grant, then are exercisable ratably over the succeeding four-year period and expire ten years after date of grant in the case of "restricted" options granted in years prior to 1966 and five years for "qualified" options granted since 1965. At January 1, 1969, 10,450, 4,950, 16,950 and 9,150 common shares were issuable under outstanding options at $18.33, $23.33, $21.33 and $36.50 per share, respectively. During 1969 options for 3,990 shares at $18.33 per share, 750 shares at $23.33 per share and 275 shares at $21.33 per share were exercised. At December 31, 1969 options for 36,485 shares with an aggregate option price of $906,000 were outstanding. No additional grants may be made under the terms of the 1962 stock option plan.

Potential future dilution of earnings per share arising from the conversion of outstanding stock options is not considered material at December 31, 1969.

RIEGEL PAPER CORPORATION
Financial Review (Page 14)

Stock Options and Executive Incentive Compensation Plan—Under the Employee Qualified Stock Option Plan adopted by the stockholders in April, 1969, eligible, exempt-salaried employees subscribed on July 1, to purchase 58,202 common shares at $24.94 per share, the fair market value as of the date of the grant. Under this plan, an employee may purchase the optioned shares over a two year period. At any time prior to payment in full, the employee may cancel his subscription and withdraw all of his payments plus interest. The plan, available on a broad basis is designed to encourage our exempt-salaried employees to acquire or increase their proprietary interest in their company.

In 1969, options were also granted to purchase 6,500 common

shares pursuant to the existing Officers and Managerial Employees Stock Option Plan.

The stockholders also approved an Executive Incentive Compensation Plan in April, 1969. Under this plan, annual awards may be made to eligible executive employees based on performance. Awards are distributed either immediately in cash or are credited to the employee's account for distribution in three or ten annual installments. Deferred distributions may be payable in either cash or Riegel common stock. For 1969, $267,000 was provided for incentive awards under this plan.

Notes to Financial Statements

Note 9: Stock Option Plans—In April, 1969, the stockholders approved an Employee Qualified Stock Option Plan for all eligible, exempt-salaried employees of the Company. Under the provisions of the Plan, the Company was authorized to grant on July 1, 1969 and July 1, 1971, options to purchase an aggregate for both offerings of 200,000 shares of the Company's common stock at prices equal to the approximate market quotation of the stock on the date of grant. Under the Plan, options were granted in 1969 to 688 eligible, exempt-salaried employees to purchase 58,202 shares at $24.94 per share, options to purchase 1,031 shares were exercised for $25,711, and options to purchase 7,117 shares were terminated. At January 4, 1970, options to purchase 50,054 shares are outstanding and currently exercisable, and 148,915 shares are reserved for future grants under the Plan.

Under the Company's 1951 Officers and Managerial Employees Stock Option Plan, as amended by stockholders in 1965, options to purchase 6,500 shares were granted in 1969 at prices ranging from $20.50 to 27.44 per share, options to purchase 4,800 shares were exercised for $97,737, and options to purchase 3,000 shares were terminated. At January 4, 1970, options to purchase 43,000 shares at prices ranging from $16.25 to $27.44 per share are outstanding, and options to purchase 22,625 shares are currently exercisable. An additional 223 shares are reserved for future grants at prices equal to the approximate market quotation of the stock on the date of grant.

TIME INCORPORATED
Notes to Financial Statements

Stock Options—The following summary shows the changes during the year in options granted to key employees to purchase shares of the Company's Common Stock.

Shares Under Option

Year Granted	Price Per Share	Jan. 1, 1969	Changes During Year: Granted	Exercised	Terminated	Dec. 31, 1969
1962	$21.00	6,375		6,375		
1964	$55.38	14,425		1,215	13,210	
1965	$73.38-104.25	88,700			1,000	87,700
1967	$96.38-99.38	65,750			2,000	63,750
1968	$103.38-106.88	27,000			1,500	25,500
1969	$40.75-48.50		242,250		7,500	234,750
	Total	202,250	242,250	7,590	25,210	411,700

According to the terms of a new Qualified Stock Option Plan for Key Employees, adopted by the Board of Directors in October 1969, subject to ratification by the stockholders, 325,000 shares of the Company's Common Stock have been reserved for options. Under the New Plan, options were granted for 235,250 shares at a purchase price of $48.50 per share and 250 shares at $40.75 per share, while options for 7,500 shares at $48.50 per share were terminated.

There were 97,000 shares at December 31, 1969 and 7,250 shares at December 31, 1968 available for granting of options.

Each option granted by the Company in 1965 and thereafter is exercisable as to one fifth of the aggregate number of shares covered by it on or after certain specified semiannual dates subsequent to the date of grant but in no event later than five years from date of grant. At December 31, 1969, 148,900 shares were exercisable. The option prices, which are at not less than 100% of the fair market value on the dates of grant are payable in full at the time the options are exercised.

WYANDOTTE INDUSTRIES CORPORATION
Notes to Financial Statements

Note 5: Stock Options—The Company has a qualified stock option plan under which 75,000 shares of common stock are reserved for the granting of stock options to key executive employees at prices not less than the fair market value of the stock at the time the options are granted. This plan will terminate on March 26, 1977. Under the plan, except in certain circumstances, no portion of an option may be exercised during the first year of the grant and, thereafter, the options are exercisable up to one-fourth annually on a cumulative basis. Options granted are to expire five years from date of grant. Following is a summary of the activity with respect to options during the period from December 1, 1968 to February 26, 1970:

	Option Price	Stock Options: Outstanding	Exercisable	Available For Grant
At December 1, 1968	$13.08-$19.875	21,655	2,154	53,345
Granted	$16.00-$16.375	10,000	—	(10,000)
Became Exercisable During Period	$13.08-$19.875	—	9,905	—
Exercised	$13.08	(280)	(280)	—
Cancelled	$13.08-$19.875	(7,500)	(1,468)	7,500
At February 26, 1970	$13.08-$19.875	23,875	10,311	50,845

Exercisable as follows: 1970, 12,967 shares; 1971, 5,781 shares; 1972, 5,127 shares.

Stock Option Plans With No Sales During Year

BAYUK CIGARS INCORPORATED
Notes to the Financial Statements

Note 6: At December 31, 1969, officers and other management employees held options for the purchase of 47,000 shares of the Company's stock, of which 42,000 were exercisable at that date. No options were exercised during 1969.

The options were granted at various times from 1961 to 1969 and expire from 1970 to 1973. The options were granted at prices ranging from $10.63 to $20.66 per share (average price per share of $13.89) which represented the fair market values on the dates granted, except for 10,000 shares granted in 1961 at $20.66 per share which represented 95% of the fair market value on the date of the grant. Options for an additional 3,000 shares may be granted through December 31, 1975.

DETECTO SCALES, INC.
Notes to Consolidated Financial Statements

Note 8: Stock Option Plan—The Company has a qualified stock option plan outstanding which provides for the granting of options until February 28, 1976, exercisable over a period of five years, at prices not less than market value at date of grant. Data on stock options are summarized as follows:

	Shares of common stock, $1 par, reserved for options granted	Shares of common stock, $1 par, reserved but **not** optioned
Shares reserved beginning of year	30,900	10,150
Changes during year:		
Options granted	1,250	(1,250)
Options terminated	(450)	450
Shares reserved, end of year	31,700	9,350

At December 31, 1969 options for an aggregate of 31,700 shares were exercisable at prices ranging from $6.875 to $13.00 per share. No options were exercised in 1969.

On January 2, 1970 options to purchase 800 shares of common stock at $7.00 per share were granted to certain employees.

THE CLEVELAND-CLIFFS IRON COMPANY
Notes to the Financial Statements

Note C: Shareholders' Equity—The Preferred stock is redeemable at $101.50 a share plus accrued dividends and holders are entitled to two votes for each share. The Company is required to set aside each year for the purchase or redemption of Preferred stock, a sinking fund equal to 15% of consolidated net earnings (as defined) less annual dividend requirements on such stock.

At December 31, 1969, 253,087 shares (1968—75,387 shares) of Common stock were held in treasury of which 17,143 shares (1968—15,973 shares) with a cost of $533,000 (1968—$467,000) were held for distribution under the Deferred Compensation Plan.

In 1969, shareholders of the Company approved a stock option plan under which 120,000 shares of Common stock may be granted

to certain officers and employees at the market price of such stock on the date of grant. Options generally become exercisable cumulatively over four years beginning one year from date of grant and have a term of five years. Options for 62,000 shares were granted during the year at $50.63 a share, of which options for 4,000 shares were exercisable at December 31, 1969.

The long-term note agreement contains certain limitations on the payment of dividends. At December 31, 1969, $47,975,000 of retained income was unrestricted.

MAULE INDUSTRIES, INC.
Notes to Consolidated Financial Statements

Note 7: Capital Shares (in part)—In October 1969, the Board of Directors approved a Key Employees' Stock Option Plan which provides for the granting of options to Key Employees of the Company and its subsidiaries. A total of 100,000 shares of the Company's common stock is reserved for issue under the plan at a price not less than the fair market value at the time the options are granted. No option granted can be exercised prior to August 1, 1972 nor may any options be granted under the Plan after October 24, 1979. In November 1969, options for a total of 60,500 shares were granted to fourteen key employees at an exercise price of $16.75 (market value at the close of trading on November 20, 1969) per share, said options being valid for a period of ten years but not exercisable prior to January 1, 1973. All of the options granted were outstanding at December 31, 1969.

Option Plans of an Acquired Company

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION
Notes to Financial Statements

Stock Options and Incentive Purchase Plan—Under the Corporation's several Stock Option Incentive Plans, shares of Common Stock have been made available for options to employees of the Corporation and its subsidiaries. Options granted are exercisable to the extent of one-third of the optioned shares after two years and in full after four years, but not after five years from date of grant. The price for the shares covered by each option is 100% of the fair market value on the date such option is granted.

A summary of shares subject to options during the year 1969 is shown below:

Balance, January 1, 1969		1,051,331
Add—Options granted at $48.50 to $57.75 per share		521,400
		1,572,731
Deduct—		
Options exercised at $26.54 to $58.06 per share	202,119	
Options cancelled	73,574	275,693
Balance, December 31, 1969		1,297,038

At December 31, 1969, a total of 286,630 shares were available for future option grants.

As part of the poolings of interests with several companies, the Corporation has also granted options to purchase shares of the Corporation's Cumulative Preferred Stock and Common Stock as substitutes for stock options held by employees of those companies. The Substitute Stock Options were granted for the number of shares of Cumulative Stock and Common Stock which generally would have been issued in respect of the optioned shares of such companies had they been outstanding at the dates of the poolings of interests. A summary of shares subject to these options during the year 1969 is shown below:

	Cumulative Preferred Stock	Common Stock
Balance, January 1, 1969	59,566	194,904
Add (Deduct)—		
Options granted	4,892	6,808
Options exercised	(16,949)	(75,656)
Options cancelled	(1,058)	(3,078)
Balance, December 31, 1969	46,451	122,978

Under the Career Executive Incentive Stock Purchase Plan adopted in 1967, 1,800,000 shares of Common Stock may be sold to employees of the Corporation and its subsidiaries. The purchase price per share is not less than the higher of book value of such shares at the end of the preceding year or 50% of the market value on the date such shares are offered to the employee. Shares sold under this plan are restricted as to sale or disposition by the employee with such restrictions lapsing from time to time as to portions of the shares purchased as the employee's service continues. If the employee terminates employment before the restrictions on the shares are removed, the shares are to be sold to the Corporation at the original purchase price. During 1969, 812,572 shares were sold to employees at prices ranging from $24.00 to $30.00 per share. The shares sold to employees are recorded at fair market value and the excess of the fair market value over the sales proceeds is being charged to expense over the employees' remaining periods of employment. At December 31, 1968, a total of 760,246 shares were available for sale to employees.

ALLEGHENY LUDLUM STEEL CORPORATION
Notes to Financial Statements

Note 7: Stock options—The Employees' Stock Option Plan, adopted by shareowners in 1955, authorized the granting of options to purchase shares of Common Stock, exercisable during a period of ten years from the granting dates at prices not less than 95% of the fair market value at such dates. In 1967, in connection with the acquisition of a company, options of that company were converted into options for $3.00 Convertible Preferred Stock. Options were exercised in 1969 for 4,643 shares of Common Stock at option prices ranging from $31.08 to $41.43 per share (aggregating $175,354) and for 8,212 shares of $3.00 Convertible Preferred Stock at option prices ranging from $15.05 to $36.00 per share (aggregating $245,082). Options terminated in 1969 as to 724 shares of $3.00 Convertible Preferred Stock. At December 31, 1969, 6,003 common shares were subject to outstanding options at prices ranging from $32.38 to $41.43 per share (aggregating $239,202) and 5,685 shares of $3.00 Convertible Preferred Stock were subject to outstanding options at prices ranging from $15.05 to $36.00 per share (aggregating $184,349).

Shareowners approved a new qualified employees' stock option plan in April 1969 under which options may be granted for common shares at prices not less than the fair market value at the dates granted, exercisable during a five-year period from such dates. At December 31, 1969, no options had been granted and 300,000 shares of Common Stock were reserved for the granting of options under the 1969 plan.

Stock Purchase Plans

BURROUGHS CORPORATION
Notes to Consolidated Financial Statements

Note 6: Stock Purchase and Stock Option Plans—The following information has been adjusted for the two-for-one stock split of March 28, 1969.

(a) Employees' Payroll Deduction Stock Purchase Plan—Under this plan, approved by the shareholders in 1967, employees (except directors, officers, and optionees under any Burroughs stock option plan) may contribute up to 10 percent of their pay, through payroll deductions, toward purchase of the Company's common stock at 85 percent of the market price on the first or last day of each purchase period, whichever is lower. During 1969, 71,413 shares were sold to employees and at December 31, 1969, 413,595 shares were reserved under this plan.

(b) Stock Option Plans—Under the qualified plan, approved by the shareholders in 1967, options for the purchase of common stock of the Company may be granted to officers and key employees at fair market value at date of grant. At December 31, 1969, 417,495 shares were reserved for issuance under this plan including 274,469 shares for which options were outstanding (40,-219 presently exercisable) at the following prices per share:

Granted in	Number of shares	Option prices per share
1967	127,969	$60.69 and $62.77
1968	1,000	$119.00
1969	145,500	$112.13 to $159.50
	274,469	

In 1969, options to purchase 146,000 shares at prices ranging from $112.13 to $159.50 were granted, options for 47,749 shares were exercised in the aggregate amount of $2,898,400 and options for 6,726 shares were terminated.

Under the restricted stock option plan, approved by the shareholders in 1962, which has been terminated, options for 8,000 shares were exercised in 1969 at $20.09 per share.

CURTISS-WRIGHT CORPORATION
Notes to Financial Statements

Note 6 (in part): *Capital Stock*—Under the Restricted Stock Purchase Plan approved by stockholders in 1968, the Corporation in 1969 sold 161,000 shares of treasury common stock to selected employees at a price of $6.34 per share. Under the plan, during periods of restriction shares purchased by employees may not be sold, assigned, transferred or otherwise disposed of except by death. The restrictions imposed on shares sold to employees during 1969 lapse, depending upon the number of shares and age of the individual involved, over periods of from 3 to 31 years. At December 31, 1969, there were 239,000 shares in treasury reserved for future sales under the plan.

FEDERATED DEPARTMENT STORES, INC.
Notes to Financial Statements

Note 4: *Restricted Stock Purchase Plan*, approved by the shareholders in 1969, provides for grants of up to 200,000 shares. Rights were granted for 104,535 shares at $19 per share (50% of market value). As of January 31, 1970, rights had been exercised for 46,335 shares, cancelled for 250 shares and 57,950 shares were reserved for purchase rights which expire in June 1970.

M. H. FISHMAN CO. INC.
Notes to Financial Statements

Note 7: *Employees' Stock Purchase Plans*—In 1968 the stockholders approved the following plans:

Title of Plan	Maximum Number of Shares	Price Per Share
Employees' stock purchase plan	44,100*	Not less than 85% of fair market value at date of grant
Qualified stock option plan	27,562*	Not less than fair market value at date of grant

Changes in the number of shares issuable under outstanding options during the year were:

	Employees' Stock Purchase Plan	Qualified Stock Option Plan
Issuable under outstanding options—December 31, 1968	11,595	16,500
Options cancelled	2,238	2,500
	9,357	14,000
5% stock dividend	468	700
Issuable under outstanding options—December 31, 1969	9,825	14,700

At December 31, 1969, 9,825* shares of common stock were allocated to employees under the employees' stock purchase plan at $14.52* per share. Payment for these shares is by payroll withholding of $.50 per share per month. Shares are to be issued only when the entire payment has been received.

At December 31, 1969 options granted under the qualified stock option plan for 14,700* shares of common stock at $16.72* per share were outstanding. These options are exercisable at the rate of 25% per year beginning one year from date of grant.

At December 31, 1969 no shares of common stock had been issued under the above plans.

*Gives effect to the 5% stock dividends.

GRANGER ASSOCIATES
Notes to the Financial Statements

Note 5 (in part): *Capital Stock*—At August 31, 1969, there were 8,573 shares reserved for sale to employees, directors and consultants under the Employee Stock Purchase Plan. Eligible employees are permitted to invest up to 6% of their straight-time earnings. Non-employee directors are limited to $600 per year and consultants to 6% of fees or retainers or $50 per quarter, whichever is greater. The Company contributes approximately 25% of the issue price which is based on current market value.

Charges to income for the Company's contribution pursuant to the plan were $34,028 and $29,103 for the years ended August 31, 1969 and 1968, respectively.

GENESCO INC.
Financial Review

In 1960 the company granted, to certain employees, options to purchase common stock under the restricted executive stock option plan at 85% of the then market value. In addition, options to purchase common stock at 85% of market value two years subsequent to date of grant have been offered each year to all eligible employees under the savings fund—employee stock purchase plan.

	Restricted Executive Stock Option Plan	Savings Fund —Employee Stock Purchase Plan	Total
Options—outstanding at 1 August 1968	1,617	289,908	291,525
Options granted	—	230,716	230,716
	1,617	520,624	522,241
Less:			
Options exercised	1,617	164,136	165,753
Options terminated	—	64,560	64,560
	1,617	228,696	230,313
Options outstanding at 31 July 1969	—	291,928	291,928
Shares reserved for possible future options	—	316,719	316,719*
Total shares reserved	—	608,647	608,647
Option price range		$17.53-$35.81	

*At 31 July 1968, the number reserved was 482,875.

In addition, the company has other plans whereby employees, under certain conditions, may purchase stock on the installment basis at the prevailing market price. Under these plans 815,436 shares of employees' subordinated convertible preferred stock were available for employee purchases at 31 July 1969. There are approximately 16,000 employees participating in all the plans described above.

STANDARD SCREW COMPANY
Notes to Financial Statements

Stock Purchase Plan—During the year the Company adopted a restricted stock purchase plan whereby certain executives of the Company may purchase, in the aggregate, 5,000 shares of the Company's treasury stock and in addition receive as compensation 5,000 additional shares of treasury stock. Such additional shares are subject to certain conditions including restriction as to transfer until after retirement. As of December 31, 1969, participants had purchased 1,200 shares at approximate market value and received the 5,000 restricted shares. The conditions of the Plan require the participants to purchase the remaining 3,800 shares over the next four years.

The excess of the market value of the shares issued under the Plan over cost has been credited to capital in excess of par value.

SUN CHEMICAL CORPORATION
Notes to Consolidated Financial Statements

Note 5: *Stock Option and Purchase Plans*—Pursuant to the Key Employees' Stock Option Plan of 1958, as amended, for 60,000 shares, and the Key Employees' Stock Option Plan approved by the shareholders in 1969 for an additional 50,000 shares, options may be granted to key employees to purchase an aggregate of 110,000 shares of common stock at the fair market value on the date of grant. Options under the plans become exercisable beginning not earlier than one year and expire no later than five years from the date of grant. The following is a summary of stock option transactions during 1969:

	Options Outstanding		Shares Available for Granting Future Options
	Shares	Price	
Beginning of year	28,352	$11.25 —$29.75	4,572
Add'l authorization	—	—	50,000
Granted	15,300	33.625— 42.25	(15,300)
Cancelled	(134)	14.125	134
Exercised	(3,557)	11.25 — 14.125	—
End of year	39,961	12.625— 42.25	39,406

Of the 39,961 shares under option at December 31, 1969, 10,012 shares were exercisable.

Pursuant to the Executive Stock Purchase Plan approved by the shareholders in 1968, the Company, during 1969, sold 29,500 shares

of the 50,000 shares authorized to eligible executives at par value—$1.00 per share. When shares are sold under this plan the difference between the fair value of these restricted shares and the proceeds is recorded as a deferred charge and credited to capital surplus. The deferred charge is being amortized by charges to income over the 13 years required to remove all restrictions. The unamortized amount included in deferred charges at December 31, 1969 was $533,229. At December 31, 1969 there were 20,500 shares available for future grants under this plan.

RESERVES AND OTHER STOCKHOLDERS' EQUITY ACCOUNTS

The committee on accounting procedure of the American Institute of Certified Public Accountants issued *Accounting Research Bulletin 43* in 1953. Chapter 6 of that Bulletin states:

1. The purpose of this chapter is to consider 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.

. . . .

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.

TABLE 2-60: RESERVES AND OTHER STOCKHOLDERS' EQUITY ACCOUNTS

Type of Account	1969	1968	1965	1960
Appropriation for contingencies, etc.	5	5	11	31
Other appropriations	5	4	5	9
Stock to be issued to employees	2	2	2	N/C
Total	12	11	18	40

N/C—Not compiled

The appropriation (or reserves) of retained earnings is not frequently used as indicated by the fact that only ten of the 600 survey companies showed appropriations (or reserves) of retained earnings in their 1969 annual reports. The treatment of such appropriations (or reserves) by all ten companies is in accordance with the opinion expressed in *Accounting Research Bulletin 43,* Chapter 6, Paragraph 8. A discussion of reserves included with liabilities is presented in connection with Table 2-47.

Appropriations for Contingencies—No Change During Year

FMC CORPORATION

Statement of Consolidated Retained Earnings

Unappropriated at beginning of year	$350,657,490
Net income for the year	67,288,756
Cash dividends:	
Common stock	(26,299,668)
Preferred stock	(4,186,895)
Unappropriated at end of year	387,459,683
Appropriated for contingencies	3,353,186
Total retained earnings	$390,812,869

Financial Review

Contingencies and commitments. The Company has certain contingent liabilities resulting from litigation claims and commitments incident to the ordinary course of business. It is believed that such contingencies and commitments will not result in any significant liability in relation to the financial position of the Company.

JEWEL COMPANIES, INC.

Stockholders' Investment

Preferred stock—3¾% cumulative $100 par value—authorized and issued 48,000 shares at Jan. 31, 1970	$ 4,800,000
Common stock—$1 par value—authorized 15,000,000 shares, issued 6,636,846 shares at Jan. 31, 1970	42,414,911
Accumulated earnings—Reserved for self-insured losses and general contingencies	1,250,000
Accumulated earnings—Unappropriated	117,514,529
Treasury stock at cost	(1,828,892)
Total stockholders' investment	$164,150,548

WM. WRIGLEY JR. COMPANY

Capital and Accumulated Earnings

Capital stock—no par value:	
Authorized and issued—2,000,000 shares	$ 19,200,000
Accumulated earnings retained for use in the business	88,941,172
Accumulated earnings appropriated for guarantees under employment assurance contracts	2,000,000
	110,141,172
Less—Capital stock in treasury, at cost (31,516 shares)	1,502,069
Total capital and accumulated earnings	$108,639,103

Other Appropriations

CANNON MILLS COMPANY

Stockholders' Equity:	1969	1968
Common capital stock:		
Voting, without par value (authorized, 1,100,000 shares; issued, 1,037,189-85/100 shares—at stated value of $25 a share)	$ 25,929,746	$ 25,929,746
Class B, non-voting, par value $25 a share (authorized, 3,300,000 shares; issued, 1,037,009 shares)	25,925,225	25,925,225
Total common capital stock	51,854,971	51,854,971
Additional capital	2,634,002	2,634,002
Retained earnings (including $100,000,000 reserved by the Board of Directors for working capital and $14,437,850 in 1969 and $14,077,362 in 1968 applied to purchase of treasury stock)	176,551,223	168,565,542
Total	231,040,196	223,054,515
Less treasury stock (1969 — voting — 40,225-25/100 shares; Class B 161,071 shares — at cost)	14,437,850	14,077,362
Stockholders' equity	$216,602,346	$208,977,153

JIM WALTER CORPORATION

Stockholders' equity	
Non-convertible preferred stock (aggregate liquidation preference $5,758,800)	$ 5,794,880
Convertible preferred stock (aggregate liquidation preference $197,028,098; convertible into 6,473,233 shares of common stock at August 31, 1969)	32,228,860
Common stock, 16⅔ cents par value per share:	
Authorized—25,000,000 shares	
Issued—10,705,425	1,784,238
Capital in excess of par or recorded value	80,454,877
Retained earnings, per accompanying statement ($6,289,608 and $5,489,540 appropriated to general reserves)	151,711,829
	$271,974,684

Notes to the Financial Statements

Note 1 (in part): *Principles of Consolidation*—The investment in First Brentwood Corporation (100% owned) and its subsidiaries is carried at equity in net assets. At August 31, 1969, $8,871,124 appropriated to general reserves, as required by regulatory authorities, is included in stockholder's equity of the savings and loan subsidiary ($6,289,608 included in consolidated retained earnings of the Company). Substantially all of such amount has qualified as tax deductions and no provision for federal income tax has been made thereon; if such reserves are subsequently used for purposes other than to absorb loan losses, including distributions in liquidation, they will be subject to federal income tax at the then prevailing corporate rates.

RICHARDSON-MERRELL INC.

	1969	1968
Stockholders' Interest	*(in thousands)*	
Preferred stock—$1.00 par value Authorized — 1,000,000 shares; issued 129,630	$ 12,768	$ —
Common stock—$1.25 par value Authorized—20,000,000 shares; issued—12,271,996	35,456	35,439
Earnings reinvested in the business		
Unappropriated	117,237	108,150
Appropriated (Note 2)	70,045	61,132
	235,506	204,721
Less—912,774 shares of common stock in treasury, at cost (1968—838,420)	24,479	20,208
	$211,027	$184,513

Note 2: Intangible Assets represent the excess of cost over net tangible assets at the time of acquisition of products and companies acquired since 1954. The Board of Directors has authorized the appropriation from Earnings Reinvested in the Business of an amount equal to the amount carried as Intangible Assets.

Stock To Be Issued

W. T. GRANT COMPANY

	1969	1968
Capital:		
Capital Stock:		
Cumulative Preferred—$100 par value: Authorized 250,000 shares Issued 114,500, of 3¾% series	$ 11,450,000	$ 13,250,000
Common—$1.25 par value: Authorized 22,500,000 shares Issued 14,306,640 shares	17,883,300	17,317,775
Capital in excess of par value of shares issued	70,224,570	58,661,960
Amounts paid by employees under purchase contracts for unissued common stock	1,330,474	1,283,958
Earnings retained for use in the business	211,679,286	189,606,659
Less 432,764 shares of treasury common stock, at cost	21,879,131	—
Total Capital	$290,688,499	$280,120,352

Note F: The 3¾% Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at $100 per share.

At January 31, 1970, 753,245 shares of the Company's unissued Common Stock were reserved under the Employee's Stock Purchase Plans. Contracts for the sales of such shares, on a deferred payment basis, are made at approximate market prices at dates of contracts. Shares are issued after completion of payments. In addition to the shares reserved under these plans, the only other shares of Capital Stock reserved for options, warrants, conversions, and other rights are the 181,750 shares reserved for conversion of debentures and 145,400 shares of issued Common Stock held for the Deferred Contingent Compensation Plan.

The Company purchased 517,644 shares of its Common Stock; 4,900 were transferred to the Deferred Contingent Compensation Plan and 80,000 shares were used for the acquisition referred to in Note A.

TREASURY STOCK

In 1965 the Accounting Principles Board of the American Institute of Certified Public Accountants issued its *Opinion No. 6—Status of Accounting Research Bulletins,* modifying Chapter 1B of *Accounting Research Bulletin 43*. Paragraphs 12 and 13 of the Opinion state:

12. The Board considers that the following accounting practices, in addition to the accounting practices indicated in Chapter 1B, are acceptable, and that they appear to be more in accord with current developments in practice:

(a) When a corporation's stock is retired, or purchased for constructive retirement (with or without an intention to retire the stock formally in accordance with applicable laws):

i. *an excess of purchase price over par or stated value* may be allocated between capital surplus and retained earnings. The portion of the excess allocated to capital surplus should be limited to the sum of (a) all capital surplus arising from previous retirements and net "gains" on sales of treasury stock of the same issue and (b) the prorata portion of capital surplus paid in, voluntary transfers of retained earnings, capitalization of stock dividends, etc., on the same issue. For this purpose, any remaining capital surplus applicable to issues fully retired (formal or constructive) is deemed to be applicable prorata to shares of common stock. Alternatively, the excess may be charged entirely to retained earnings in recognition of the fact that a corporation can always capitalize or allocate retained earnings for such purposes.

ii. *an excess of par or stated value over purchase price* should be credited to capital surplus.

(b) When a corporation's stock is acquired for purposes other than retirement (formal or constructive), or when ultimate disposition has not yet been decided, the cost of acquired stock may be shown separately as a deduction from the total of capital stock, capital surplus, and retained earnings, or may be accorded the accounting treatment appropriate for retired stock, or in some circumstances may be shown as an asset in accordance with paragraph 4 of Chapter 1A of ARB 43. "Gains" on sales of treasury stock not previously accounted for as constructively retired should be credited to capital surplus; "losses" may be charged to capital surplus to the extent that previous net "gains" from sales or retirements of the same class of stock are included therein, otherwise to retained earnings.

13. Laws of some states govern the circumstances under which a corporation may acquire its own stock and prescribe the accounting treatment therefor. Where such requirements are at variance with paragraph 12, the accounting should conform to the applicable law. When state laws relating to acquisition of stock restrict the availability of retained earnings for payment of dividends or have other effects of a significant nature, these facts should be disclosed.

The relevant paragraphs of Chapter 1B of ARB 43 state:

7. 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.

. . . .

10. Accordingly, although your committee recognizes that there may be cases when the transactions involved are so inconsequential as to be immaterial, it does not believe that, as a broad general principle, such transactions should be reflected in earned surplus (either directly or through inclusion in the income account).

Table 2-61 shows that the prevalent method of presenting common treasury stock is to deduct treasury stock at cost from all other stockholders' equity accounts. Presentations of preferred treasury stock are almost equally divided between the above mentioned method or deducting treasury stock at par or stated value from issued stock of the same class.

Seventy companies held both common and preferred treasury stock, 16 held only preferred treasury stock and 340 held only common treasury stock.

Examples of the various types of presentations follow.

TABLE 2-61: TREASURY STOCK

Balance Sheet Presentation*	1969	1968	1966
Common stock:			
A: Deducted from total of capital stock, additional capital (if any), and retained earnings—at cost	302	289	273
B: Deducted from issued stock of the same class — at par or stated value	69	76	75
C: Deducted from issued stock of same class—at cost or not stated	13	12	18
D: Included as a noncurrent asset	15	19	22
Other, or valuation basis not stated	18	14	11
	417	410	399
Preferred stock:			
E.: Deducted at cost from total of capital stock, additional capital, and retained earnings	43	37	37
F: Deducted at par or stated value from issued stock of the same class	38	32	35
Other, or valuation basis not stated	8	1	9
	89	70	81
Total	506	480	480
Number of Companies			
Disclosing treasury stock	426	419	416
Not disclosing treasury stock	174	181	184
Total	600	600	600

*Refer to Company Appendix Section—A: 61, 136, 439, 565; B: 17, 165; C: 13; D: 326, 456; E: 25, 153; F: 53, 163.

Deduction in Stockholders' Equity—At Cost

ARMSTRONG CORK COMPANY

Notes to the Financial Statements

Note 6 (in part): *Stockholders' Equity—*

	1969 (000)
Preferred stock, $3.75 cumulative, no par value. Authorized 161,821 shares; issued 161,522 shares (at redemption price of $102.75 per share)	$ 16,596
Voting preferred stock, no par value. Authorized 1,500,000 shares; issued 100,000 shares, $2.375 cumulative convertible series (at $50.00 stated value)	5,000
Common stock, $1.00 par value per share.	
Authorized:	
1969—60,000,000 shares	
Issued:	
1969—25,568,564 shares	25,569
Capital surplus	38,653
Retained earnings	297,631
	383,449
Less treasury stock, at cost:	
Preferred stock, $3.75 cumulative:	
1969—43,373 shares	3,986
Common stock:	
1969—106,034 shares	3,663
	7,649
	$375,800

KOPPERS COMPANY, INC.

Stockholders' Equity	
Cumulative preferred stock, $100 par value:	
Authorized 300,000 shares, issued 150,000 shares, 4% series	$ 15,000,000
Preference stock, no par value:	
Authorized 1,000,000 shares in 1969, issued—none	—
Common stock, $5 par value, authorized 8,000,000 shares in 1969, issued 4,973,528 shares	24,867,640
Capital in excess of par value	48,064,420
Earnings retained in the business	121,615,813
	194,547,873
Less 160,620 shares of common stock in treasury at cost at December 31, 1969	6,049,977
Common stockholders' equity	188,497,896
Total preferred and common stockholders' equity	$203,497,896

RIEGEL PAPER CORPORATION

Shareholders' Equity	
Preferred stock	$ 12,500,000
Common stock	21,753,000
Paid-in surplus	15,565,000
Retained earnings	52,211,000
	102,029,000
Less cost of common shares in treasury (Note 7)	479,000
Total shareholders' equity	$101,550,000

Note 7 (in part): *Capital Stocks*—The Company is authorized to issue 150,000 shares of $6.50 cumulative preferred stock (without par value) and 6,000,000 shares of common stock ($5.00 par value). At January 4, 1970, 125,000 shares of preferred stock and 4,350,654 shares of common stock were issued, and 24,200 shares of common stock were held in the treasury. At December 29, 1968, 125,000 shares of preferred stock and 4,344,823 shares of common stock were issued and outstanding (as adjusted to reflect the pooling of interests with Laminex and Mohawk).

In 1969, the Board of Directors authorized the Company to purchase each year up to 100,000 shares of common stock in the open market. Pursuant to the authorization, the Company purchased 24,200 shares in 1969 at a cost of $479,136.

Deducted in Stockholders' Equity—Other

THE PARKER PEN COMPANY

Stockholders' Equity:	
Common stock, $1.50 par value—Authorized 2,500,000 shares Issued 1,333,333 shares	$ 2,000,000
Capital in excess of par value	750,941
Earnings retained for use in the business, after transfers to capital (per accompanying statement)	30,299,288
	$33,050,229
Less—Treasury stock, at par value (34,617 shares in 1969)	51,926
Total stockholders' equity	$32,998,303

Deducted from Same Issue—At Par or Stated Value

ADDRESSOGRAPH MULTIGRAPH CORPORATION

Stockholders' Equity:		
Common stock, par value $2.50 — Authorized 10,000,000 shares		
Issued	8,030,594	
In treasury	4,343	
Outstanding	8,026,251	$ 20,066,000
Capital in excess of par value		68,579,000
Retained earnings		106,562,000

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Shareholders' Equity:	
Preferred stock—	
4% cumulative, $100 par value, redeemable at $110 per share, 100,000 shares authorized, 98,330 shares outstanding, excluding 1,670 shares in treasury	$ 9,833,000
Series preferred stock, $100 par value, 1,000,000 shares authorized, 498,826 shares outstanding	49,882,600
Common stock, $5 par value, 20,000,000 shares authorized, 10,836,020 shares outstanding, excluding 40,123 shares in treasury	54,180,100
Capital in excess of par value	3,501,591
Retained earnings	80,307,433
Total shareholders' equity	$197,704,724

MOUNT VERNON MILLS, INC.

Shareholders' Equity	
Capital stock:	
Preferred (non-callable) 7% cumulative—authorized, 2,500 shares of $100.00 each; issued, 2,099 shares; in treasury, 1969—132 shares; outstanding, 1969—1,967 shares	$ 196,700
Common—authorized, 1,300,000 shares of $2.50 each; issued, 1,093,925 shares; in treasury, 144,369 shares; outstanding, 949,556 shares	2,373,890
Total capital stock	$2,570,590

SPARTON CORPORATION

Shareowners' Equity:	
Preferred stock:	
Par value $100; 6% cumulative, callable at $110 per share, 10,000 shares authorized—3,637 issued	$ 363,700
Serial, no par value; 200,000 shares authorized in 1969	—
Common stock, $2.50 par value; 3,000,000 shares authorized — 873,888 shares outstanding after deducting 62,286 shares in treasury (Note 4)	2,184,720
Capital in excess of par value	661,311
Retained earnings	10,644,327
Total shareowners' equity	$13,854,058

Note 4: *Treasury Stock*—During the year the Company reacquired 3,100 shares of its common stock at a cost of $38,622. The excess of the cost over the par value of the shares acquired was charged to capital in excess of par value ($2,340) and to retained earnings ($28,532).

Deducted from Same Issue—Other

AMSTED INDUSTRIES INCORPORATED

Sources From Which Capital Was Obtained	
Preferred Stock—Authorized—1,000,000 shares, no par value, none issued	—
Common Stock — Authorized — 10,000,000 shares, $1 par value	
Outstanding — 2,768,441 shares at September 30, 1969 after deducting 325,731 shares held in treasury at cost of $11,377,182	$ 42,505,832
Net Income Employed in the Business	84,581,155
Total Capital Invested	$127,086,987

Notes to Consolidated Financial Statements

Common Stock, Capital in Excess of Par Value and Treasury Stock—Transactions in the common stock, capital in excess of par value and treasury stock accounts during the year ended September 30, 1969 are summarized below:

	Common Stock, $1 Par Value	Capital in Excess of Par Value	Together
Balance, September 30, 1968 before deducting 334,400 shares purchased and held in treasury at cost of $11,792,815	$3,083,622	$50,316,788	$53,400,410
10,550 shares of common stock issued under stock option plans:			
Par value	10,550		10,550
Excess of option price over par value		409,946	409,946
Excess of market value over cost of 18,169 shares of treasury stock issued for the purchase of the net assets of Standard Automotive Parts Company		62,108	62,108
	$3,094,172	$50,788,842	$53,883,014
LESS — Cost of 325,731 shares of common stock purchased and held in treasury (after deducting 18,169 shares issued having a cost of $778,028 and including 9,500 shares purchased during the year at a cost of $362,575			11.377.182
Balance, September 30, 1969 included in consolidated statement of financial position as common stock outstanding			$42,505,832

Included in Assets

BROWN & SHARPE MANUFACTURING COMPANY

Other Investments, at cost, less reserves (Note 6)	$1,495,000

Note 6: Stock Options—At December 27, 1969, there was outstanding an exercisable option, which expires in 1972, granted to an officer for the purchase of 760 shares of the Company's common stock at $7.625 per share. Options for 7,000 shares were exercised in 1969. Other investments at December 27, 1969, include $7,878, cost of 760 shares of the Company's common stock reacquired and reserved for the stock option.

COLUMBIA BROADCASTING SYSTEM, INC.

Assets	
Investments, at cost or less	$29,968,000

Notes to Financial Statements

Investments—Included in investments on January 3, 1970 were 236,629 shares of CBS common stock at a cost of $9,574,000 which are being held for distribution under Employees' Stock Purchase Plan, Deferred Additional Compensation Plan and Stock Option Plans.

GENERAL CIGAR CO., INC.

Other Assets	
Common stock in treasury available for employees' profit-sharing plan and deferred compensation, at cost—18,253 shares (1968—17,619 shares) (Note 3)	$516,000

Note 3: Compensation plans—Common stock in treasury available for employees' profit-sharing plan represents the cost of such stock allocated to participants under a plan which terminated at the end of 1962. Subject to a number of conditions, distribution of such stock is deferred until after the termination of the participant's employment.

No appropriation was made during the year under an Incentive Compensation Plan approved by the stockholders in 1965.

Under the terms of a deferred compensation contract with an officer of the Company, during the year 1969, 2,167 shares of Common Stock in treasury, representing shares allocated for this purpose for the years 1965 through 1969, were set aside for distribution following retirement.

Other Presentations

COLGATE-PALMOLIVE COMPANY

	(Thousands of Dollars)
Stockholders' Equity	
$3.50 Preferred stock	$ 12,500
Common stock, at stated value	39,413
Capital surplus	24,004
Retained earnings	247,356
Total stockholders' equity	$323,273

Notes to the Financial Statements

Note 3: Capital Stock—

Preferred shares (cumulative dividend; without par value)	
Authorized	250,000
Issued—$3.50 preferred stock	125,000
Undesignated and unissued	125,000
Common shares ($1.00 par value)	
Authorized	30,000,000
Issued	15,899,477
Less—	
Shares in Treasury	1,241,572
Shares for distribution under E.I.C.P.	96,447
Outstanding	14,561,458

The cost of shares acquired for distribution under E.I.C.P. (Executive Incentive Compensation Plan) has been offset against the related deferred liability in the financial statements. Common shares purchased for Treasury aggregated 206,592 shares in 1969 and 60,964 in 1968.

Financial Review (in part)

For the year 1969, incentive compensation awards totaling $1.4 million were made to Company executives under the Executive Incentive Compensation Plan approved by the stockholders in 1962. Of this amount, $.7 million was paid in cash in 1970 with the deferred portion of $.7 million to be paid partly in cash and partly in shares of the Company's common stock, to be earned out as provided by the plan. As in past years, other sales executives and field sales personnel were compensated in part under separate commission or bonus plans. All other domestic employees not covered by a commission or bonus plan, who had completed one year of service, received one week's additional salary in December 1969.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Stockholders' Equity	
Capital Stock:	
$100 Preferred	$ 23,504,000
$50 Preferred	8,142,000
Common	138,449,000
Retained Earnings	283,447,000
	453,542,000
Less—Common stock in treasury, at cost	2,188,000
Total stockholders' equity (Note 8)	$451,354,000

Note 8 (in part): *Stockholders' Equity*—

	Shares	Amount
Capital Stock:		
$100 cumulative preferred—4¼%		
Authorized—500,000 shares		
Outstanding:		
Beginning of year	249,760	$ 24,976,000
Reacquired	14,720	1,472,000
End of year	235,040	23,504,000
$50 cumulative preferred—4½%		
Authorized and outstanding:		
Beginning of year	166,840	8,342,000
Reacquired	4,000	200,000
End of Year	162,840	8,142,000
Common—$2.50 par		
Authorized—40,000,000 shares		
Issued:		
Beginning of year	25,769,264	125,610,000
Issued for business acquisition	919,564	11,108,000
Issued on conversion of debentures	101	3,000
Stock options exercised	83,992	1,165,000
Excess of par over cost of preferred stock reacquired		563,000
End of year	26,772,921	138,449,000
Retained Earnings—End of year		283,447,000
		453,542,000
Less:		
Common stock in treasury, at cost:		
Beginning of year	337,514	6,253,000
Acquired by purchase	109,600	1,959,000
Allotment under Compensation Plan	18,294	331,000
Issued in lieu of dividend equivalents under Incentive Compensation Plan	64,106	1,188,000
Used for business acquisitions	243,750	4,505,000
End of year	120,964	2,188,000
		$451,354,000

Common stock in treasury in the above summary does not include 298,066 shares and 43,184 shares at December 31, 1968 and 1969, respectively. The cost of such shares has been offset against the related liability in the accompanying balance sheet for contingent stock allotments made under the Extra Compensation Plan. In 1969, the stockholders approved an Amended Plan for Incentive Compensation under which stock is issued in the name of the employee at the time of the award subject to certain restrictions, principally on the employee's right to dispose of such shares; 246,514 shares of such restricted stock were issued for stock contingently allotted for prior years to other than retired employees, leaving 51,552 contingent shares for retired employees, of which 8,368 were issued in 1969. In addition, 64,106 shares of treasury stock with a cost of $1,188,000 were issued as restricted stock in lieu of dividend equivalents on contingently allotted shares.

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 1969 reports of the 600 survey companies. *Accounting Terminology Bulletin No. 2—Proceeds, Revenue, Income, Profit and Earnings* and *Accounting Terminology Bulletin No. 4—Cost, Expense, and Loss,* issued in 1955 and 1957 by the committee on terminology of the American Institute of Certified Public Accountants, define and include recommendations for the use of such terms in connection with business operations and financial statements. (*Statement No. 4—Basic Concepts and Accounting Principles Underlying Financial Statements of Business Enterprises,* issued in October 1970 by the Accounting Principles Board, contains definitions of *Cost, Revenue,* and *Income* which either supersede or amend the definitions included in *Bulletins No. 2* and *No. 4.*)

The terminology used in the income statement titles of the 1969 annual reports is summarized in Table 3-1. Changes made by the survey companies in the terminology used for their income statements for the year 1969 were not significant from the standpoint of the trends already established. Use of the term *income* as the key word in the title of the income statements of the 600 survey companies still predominates. Examples of income statement titles are shown below.

Income

AMERICAN BANK NOTE COMPANY
Consolidated Statement of Income and Earnings Reinvested

COLONIAL SAND & STONE CO., INC.
Consolidated Statement of Income

HAMPTON SHIRT CO., INC.
Consolidated Statement of Income and Retained Earnings

INTERNATIONAL HARVESTER COMPANY
Statement of Income and Income Retained

JEWEL COMPANIES, INC.
Consolidated Income Account and Accumulated Earnings/Unappropriated

OSCAR MAYER & CO. INC.
Consolidated Statement of Income and Accumulated Earnings

RAYTHEON COMPANY
Statement of Income and Earnings Reinvested in the Business

SEARS INDUSTRIES, INC.
Statement of Consolidated Income and Earned Surplus

Earnings

AVON PRODUCTS, INC.
Consolidated Statement of Earnings and Retained Earnings

CHEMETRON CORPORATION
Statement of Consolidated Earnings

EX-CELL-O CORPORATION
Consolidated Statement of Earnings and Reinvested Earnings

LOEW'S THEATRES, INC.
Statement of Consolidated Earnings and Earnings Retained in the Business

TABLE 3-1: INCOME STATEMENT TITLE

Terminology Used	1969	1968	1965	1955
Income	381	383	393	361
Earnings	182	183	174	135
Operations	30	28	24	30
Other	7	6	9	74
Total	600	600	600	600

THE MEAD CORPORATION
Statement of Net Earnings

PARKE, DAVIS & COMPANY
Consolidated Statement of Net Earnings and Earnings Retained for Use in the Business

PET INCORPORATED
Statement of Consolidated Earnings and Earnings Invested in the Business

Operations

THE RATH PACKING COMPANY
Statement of Operations and Accumulated Deficit

Other

AMERICAN SAINT GOBAIN CORPORATION
Consolidated Statements of Income and Expense and Retained Earnings

METRO-GOLDWYN-MAYER INC.
Consolidated Statements of Income (Loss)

FORM OF THE INCOME STATEMENT

The form of the income statement falls into two general types, namely, the "single-step" form and the "multiple-step" form. The single-step form consists of an income grouping over a single total and an expense grouping over a second total; whereas the multiple-step form contains a grouping of items with intermediate balances. A substantial number of the survey companies presented a variation in the form of each of the above-described types of income statements, in that they contained a separate last section in which there were set forth tax items or various other special items, or both.

As Table 3-2 indicates, most of the survey companies use a single-step form. However, the number of companies using a multiple-step form in 1969, contrary to a trend established in prior years, increased over the number using a multiple-step form in 1968.

Although the total number of companies using the single-step form declined, the same number of companies as last year, 261, showed federal income taxes as a separate last item on the income statement.

TABLE 3-2: INCOME STATEMENT FORM

Form of Statement*	1969	1968	1965	1955
Single-step form:				
A: Federal income tax shown as separate last item	261	261	196	N/C
B: Federal income tax listed among operating items	131	144	153	N/C
C: No provision shown for federal income tax	8	5	17	N/C
Subtotal	400	410	366	268
Multiple-step form:				
D: Costs deducted from sales to show gross profit	97	95	117	150
E: Costs and expenses deducted from sales to show operating income	100	90	117	180
Other	3	5	N/C	N/C
Subtotal	200	190	234	330
No income statement presented	—	—	—	2
Total	600	600	600	600

N/C—Not compiled.

* Refer to Company Appendix Section—A: 61, 201, 373, 431, 548, 621; B: 9, 108, 368, 455, 519, 660; C: 346, 676; D: 122, 398, 479, 568, 609; E: 92, 130, 207, 358, 511, 632.

SALES

Table 3-3 summarizes the various captions used by the survey companies to describe income from sales

TABLE 3-3: SALES

Income Statement Shows*	1969	1968	1965	1960
Net Sales:				
A: Net Sales	366	364	363	382
B: Net Sales and Operating Revenue	35	34	35	N/C
C: Other terms denoting net sales	35	23	33	67
Subtotal	436	421	431	449
Sales:				
D: Sales	79	82	87	97
E: Sales and Operating Revenue	36	48	49	N/C
F: Other	3	11	N/C	N/C
Subtotal	118	141	136	97
Other Presentations:				
G: Revenue or Gross Operating Income	32	20	17	25
Gross Sales	2	7	15	18
Sundry	12	11	N/C	N/C
Subtotal	46	38	32	43
No Sales (initial item is Gross Profit or no income statement presented)	0	0	1	11
Total	600	600	600	600

N/C—Not compiled.

* Refer to Company Appendix Section—A: 1, 84, 185, 242, 480, 581; B: 120, 286, 446; C: 335, 472; D: 122, 269, 454, 603; E: 61, 116, 382; F: 160, 293; G: 57, 534, 632.

and services. This comparative table discloses that *net sales* continues to be the most frequently used caption. Examples of the various captions are shown below.

Net Sales

ALLIED STORES CORPORATION

Net Sales (including leased departments)	$1,201,795,727
Revenues from Non-Merchandising Operations	9,534,904
	$1,211,330,631

AMERICAN HOME PRODUCTS CORPORATION

Income	
Sales	$1,271,238,447
Returns, allowances, delivery, etc.	78,268,429
Net sales	1,192,970,018
Other income	18,766,884
	$1,211,736,902

CROWN ZELLERBACH CORPORATION

Income	
Net sales	$919,282,000
Other income:	
From operations	3,075,000
Miscellaneous, net	7,966,000
	$930,323,000

THE B. F. GOODRICH COMPANY

Net Sales (discounts, transportation and excise tax deducted)	$1,229,139,011
Other Income	6,246,573
Total	$1,235,385,584

MALONE & HYDE, INC.

Net Sales and Service Fees	$371,019,914
Cost of Goods Sold	322,432,933
Gross Profit on Sales and Service Fees	$ 48,586,981

NATIONAL CAN CORPORATION

Net Sales	$312,001,895

NATIONAL STEEL CORPORATION

Net sales and other operating revenue	$1,225,052,212
Other income:	
Dividends, interest and miscellaneous	13,433,116
Equity in earnings of unconsolidated subsidiaries	3,747,441
	$1,242,232,769

VOCALINE COMPANY OF AMERICA, INCORPORATED

Net sales	$19,582,487
Cost of sales	16,453,849
Gross income on sales	$ 3,128,638

Sales

AMERICAN MACHINE & FOUNDRY COMPANY

	(in thousands of dollars)
Sales	$544,771
Rentals	58,394
	$603,165

EX-CELL-O CORPORATION

Income:	
Sales and operating revenues	$357,990,990
Other income, net	7,880,480
	$365,871,470

PIPER AIRCRAFT CORPORATION

Sales	$106,569,202
Cost of sales	86,609,007
Gross profit from sales	$ 19,960,195

UNION OIL COMPANY OF CALIFORNIA

Revenues	
Sales and operating revenues (including excise taxes of $310,833,000 in 1969 and $295,054,000 in 1968)	$1,970,971,000
Interest, dividends and miscellaneous income	20,420,000
Equity in earnings of joint venture companies	5,720,000
Gains on sales of assets	4,732,000
Total revenues	$2,001,843,000

Other Terms

BUCYRUS-ERIE COMPANY

Revenues	
Net shipments—Note G	$136,314,960
Interest and miscellaneous	1,193,643
	$137,508,603

Notes to Financial Statements

Note G:Income from Sales Contracts—Cost of all products sold for 1969 was $96,545,467 and for 1968 was $104,370,354. The Company records income from long-term sales contracts on the percentage-of-completion method.

CHICAGO BRIDGE & IRON COMPANY

Contracts closed	$273,666,779
Costs of contracts closed	230,426,291
Gross profit	$ 43,240,488

FREEPORT SULPHUR COMPANY

Gross sales	$175,209,121
Other income, net (Note 1)	1,738,845
	$176,947,966

Notes to Financial Statements

Note 1: Other income consists principally of income from the investment portfolio.

LOUISVILLE CEMENT COMPANY

Billings to customers	$39,053,547
Less freight and discounts	7,673,982
	$31,379,565

TRIANGLE-PACIFIC FOREST PRODUCTS CORP.

Total revenues	$88,788,830

COST OF GOODS SOLD AND GROSS PROFIT

Table 3-4 reveals that most of the survey companies show a single caption and amount for cost of goods sold (cost of sales, cost of products sold, etc.); in some instances, the various elements of costs are described within the caption. Those companies which do not show cost of goods sold as a single separate item usually show cost of goods sold combined with various operating expenses.

Ninety-seven companies present an amount labelled or identifiable as *gross profit* (see Table 3-2).

Illustrative examples of caption titles follow.

TABLE 3-4: COST OF GOODS SOLD AND GROSS PROFIT

Presentation in Income Statements*	1969	1968	1965	1960
Single amount for:				
A: Cost of goods sold	462	460	416	359
B: Cost of goods sold together with other expenses	94	92	133	187
C: Manufacturing cost of goods sold	15	16	19	14
Two or more amounts for:				
D: Elements of cost	17	15	31	28
E: Categories of cost	12	17		
No presentations of cost of goods sold	0	0	1	12
Total	600	600	600	600

* Refer to Company Appendix Section—A: 7, 17, 187, 257, 375, 616; B: 68, 331, 706; C: 295, 500; D: 185, 319, 537; E: 195, 707.

Single Amount for Cost of Goods Sold

DAN RIVER MILLS, INCORPORATED

	(amounts in thousands)
Net sales	$299,591
Cost of sales	266,834
	$ 32,757

GAF CORPORATION

Cost and Expenses:	
Cost of products sold	$430,805,442
Distribution and selling	102,897,861
Research and development	13,260,779
Administrative and general	21,349,441
Interest on borrowed capital	10,712,011
	$579,025,534

OTIS ELEVATOR COMPANY

	(Thousands of dollars)
Costs and expenses:	
Cost of contracts completed (Including $4,000,000 in 1969 for Reflectone, Inc. contract guaranties)	$408,322
Selling, general and administrative expense	98,676
Interest expense	6,815
Foreign exchange and currency conversion—net	1,482
Miscellaneous—net	(1,623)
	$513,672

PENN FRUIT CO., INC.

Costs and expenses	
Cost of merchandise sold	$184,171,274
Operating expenses less other income	48,850,807
Depreciation and amortization	2,237,600
Taxes on income before extraordinary items	395,100
	$235,654,781

Cost of Goods Sold Together with Other Expenses

W. T. GRANT COMPANY

Sales	$1,210,918,068
Income from concessions	3,748,215
	1,214,666,283
Cost of merchandise sold, buying and occupancy costs	817,671,347
	$ 396,994,936

INTERNATIONAL BUSINESS MACHINES CORPORATION

Cost of sales, service and rentals, operating expenses, and development and engineering expense, exclusive of depreciation	$4,269,856,827
Depreciation of plant, rental machines and other property	1,008,644,097
Interest on indebtedness	34,873,327
	$5,313,374,251

SAV-A-STOP, INCORPORATED

		% of Net Sales
Net Sales	$89,045,980	100.00
Costs and Expenses:		
Cost of sales and selling, warehousing and administrative expenses	82,680,221	92.85
Depreciation	941,613	1.06
Other expenses	505,450	.57
Federal and state taxes on income	2,516,750	2.82
	$86,644,034	97.30

Manufacturing Cost of Goods Sold

RAYBESTOS-MANHATTAN, INC.

Net Sales	$149,319,200
Manufacturing cost of sales	112,107,170
Gross profit	$ 37,212,030

Two or More Captions for Elements of Cost

STANDARD OIL COMPANY (NEW JERSEY)

Costs and Other Deductions	
Crude oil, products, materials, and services	$ 7,357,416,000
Taxes and other payments to governments	5,897,267,000
Wages, salaries, and employee benefits	1,275,558,000
Depreciation and depletion	856,840,000
Interest and other financial charges	213,919,000
Income applicable to minority interests	56,721,000
	$15,657,721,000

Two or More Captions for Categories of Cost

USM CORPORATION

Gross Revenues:	
Sales and other operating income	$311,432,000
Leased machinery revenue	44,677,000
	356,109,000
Costs and Expenses	
Cost of sales	204,371,000
Cost of leased machinery operations	18,088,000
Selling and administrative	85,680,000
Research and development	11,939,000
	320,078,000
Operating Income	$ 36,031,000

Notes to Consolidated Financial Statements

Note N: Reclassifications—In 1969, the company adopted new account classifications for certain amounts the most significant of which was a reclassification of service costs (amounting to $2,924,-000 in 1969 and $2,871,000 in 1968) from cost of leased machinery operations to selling and administrative. The appropriate account classifications for 1968 have been restated to conform with the 1969 account presentation.

UNITED FOODS, INC.

Sales	$40,696,855
Revenues from services	1,113,429
	$41,810,284
Cost of sales and services	
Cost of products sold (exclusive of depreciation)	$36,617,909
Cost of services (exclusive of depreciation)	1,010,641
Depreciation	1,178,198
	$38,806,748
Gross Profit	$ 3,003,536

OPERATING EXPENSES

In July 1957, the committee on terminology of the American Institute of Certified Public Accountants issued *Accounting Terminology Bulletin No. 4—Cost, Expense and Loss* to promote uniformity in the usage of terms which refer to closely related concepts. The committee defines *expense* in paragraph 3 and gives its recommendation for proper usage thereof in paragraph 6:

TABLE 3-5: OPERATING EXPENSES

Income Statement Shows*	1969
Selling (marketing) expenses combined with:	
A: General and administrative	336
B: Administrative or general	155
C: Research, etc.	48
D: Delivery, etc.	44
E: Advertising, etc.	25
Shown alone	23
Other	43
Subtotal	674
Other Captions:	
Research, development, engineering, etc.	72
Employee benefits	62
Taxes	56
General and administrative	33
Operating expenses	27
Shipping and delivery	23
Rentals	15
Maintenance and repair	11
Other	40
Subtotal	339
Total presentations	1,013
Number of Companies	
Presenting operating expenses separately	584
Combining all such expenses with costs of sales	16
Total	600

* Refer to Company Appendix Section—A: 5, 222, 353, 494, 504, 708; B: 53, 176, 333, 474, 591, 605; C: 50, 338, 436; D: 59, 302; E: 228, 705.

> 3. *Expense* in its broadest sense includes all expired costs which are deductible from revenues. In income statements, distinctions are often made between various types of expired costs by captions or titles including such terms as cost, expense, or loss, e.g., cost of goods or services sold, operating expenses, selling and administrative expenses, and loss on sale of property. These distinctions seem generally useful, and indicate that the narrower use of the term *expense* refers to such items as operating, selling or administrative expenses, interest, and taxes.
>
> . . . .
>
> 6. While the term *expense* is useful in its broad and generic sense in discussions of transactions and as a general caption in income statements, its use in financial statements is often appropriately limited to the narrower sense of the term as indicated in paragraph 3. In any event, items entering into the computation of cost of manufacturing, such as material, labor, and overhead, should be described as costs and not as expenses.

Statement 4—Basic Concepts and Accounting Principles Underlying Financial Statements of Business

Enterprises, released in October 1970 by the Accounting Principles Board, defines *expenses* as "gross decreases in assets or gross increases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of profit-directed activities of an enterprise that can change owners' equity.[36]" Note 36 states:

> This definition of expenses differs from that given in Accounting Terminology Bulletin No. 4, paragraphs 3-4, and 6. It is similar to the "broad" definition in the Terminology Bulletin except that it includes the cost of assets "other than stock in trade" disposed of rather than only the loss (see paragraph 198 for a discussion of losses in financial accounting). The "narrow" definition of expenses recommended in the Terminology Bulletin for use in financial statements excludes "cost of goods or services sold" from expenses and is incompatible with the definition in this Statement. Expense in this "narrow" sense should always be modified by appropriate qualifying adjectives, for example, *selling and administrative expense* or *interest expense.*

Table 3-5 summarizes the various captions used in the income statement to describe operating expenses. The most frequently used captions were: *selling, general and administrative expenses* (336) and *selling and administrative expenses* (140). If more than one caption was used to describe operating expenses, the captions most frequently used were: *research and development expenses, taxes (other than federal income taxes),* and *employee pensions or retirement plans, etc.*

Selling, General, and Administrative Expenses

CPC INTERNATIONAL INC.

Cost and Expenses:	
Cost of sales	$ 847,133,858
Marketing, administrative and general expenses	243,003,280
Interest expense	21,289,509
	$1,111,426,647

COLONIAL SAND & STONE CO., INC.

Costs and Expenses:	
Cost of products sold, except for depreciation and depletion	$ 29,149,230
Operating expenses	21,709,658
Selling, administrative and general expenses	3,595,226
Interest	618,674
Depreciation and depletion	3,843,027
	$ 58,915,815

LING-TEMCO-VOUGHT, INC.

	(in thousands)
Costs and Expenses:	
Cost of products sold	$3,380,190
Selling, administrative and general expenses	266,309
Interest and debt discount	122,642
	$3,769,141

TRANS UNION CORPORATION

Costs and Expenses	
Cost of Sales	$ 73,484,000
Operating Expenses	28,386,000
Selling, General and Administrative Expenses	33,235,000
	$135,105,000

Selling and Administrative Expenses

ANCHOR COUPLING CO. INC.

Net Sales	$46,535,661
Cost of Goods Sold	36,643,366
Gross profit	$ 9,892,295
Selling and Administrative Expense	4,920,714
Income from operations	$ 4,971,581

BRENCO INCORPORATED

Costs and Expenses:	
Cost of Goods Sold	$12,959,499
Administrative and Selling Expenses	1,906,919
Provision for Depreciation	1,230,691
	$16,097,109

THE PANTASOTE COMPANY

Cost and Expenses:	
Cost of goods sold	$47,079,950
Selling and administrative	7,440,286
Depreciation	1,475,529
Interest	811,442
Other (income) net	(106,934)
	$56,700,273

Selling and General Expenses

ETHYL CORPORATION

Cost and Expenses:	
Cost of goods sold	$376,439,000
Selling and general expenses	60,218,000
Interest and financing costs	14,222,000
Income taxes	33,020,000
	$483,899,000

Research, Etc. Expenses

ADDRESSOGRAPH MULTIGRAPH CORPORATION

Costs and Expenses:	
Cost of products and services sold	$199,811,000
Research, development and engineering expenses	13,469,000
Branch and commission expenses	105,165,000
Other selling, advertising, general and administrative expenses	44,132,000
Interest and debt expenses	5,933,000
	$368,510,000

THE ANSUL COMPANY

Costs and Expenses:	
Cost of products sold	$20,103,910
Research and development	1,362,977
Marketing, administrative and general	9,013,015
Interest	566,527
Total Costs and Expenses	$31,046,429

BAUSCH & LOMB INCORPORATED

Costs and Expenses	
Cost of products sold	$ 75,016,486
Depreciation of properties	4,192,257
Selling, administrative and general expenses	36,913,124
Research and development expenses	5,939,080
Interest expense	2,105,717
Federal, foreign and other taxes on income	4,600,000
	$128,766,664

MOLYBDENUM CORPORATION OF AMERICA

Costs and Expenses	
Costs of sales	$30,927,467
Selling, administrative and general expense	1,943,198
Research and exploration expense	1,664,104
Amortization, depletion and depreciation	4,813,541
Interest expense and debt discount amortization	2,168,046
Other expense (income), net	174,468
	$41,690,824

OWENS-ILLINOIS, INC.

Costs and Expenses:	(thousands of dollars)
Manufacturing, shipping and delivery costs	$ 995,981
Research and engineering expenses	41,637
Selling and administrative expenses	120,859
	$1,158,477

H. H. ROBERTSON COMPANY

Deduct Costs and Expenses:	
Cost of Sales	$154,457,196
Selling, General and Administrative	26,436,841
Research and Product Development	1,972,170
Contributions to Employees' Profit Sharing and Pension Plans	3,064,742
Interest Expense	1,702,056
Other Deductions	1,162,647
Provision for Taxes on Income:	
Federal and Foreign—Current	6,073,405
Federal and Foreign—Deferred	(84,541)
State	409,327
Total (Including Depreciation: 1969—$3,986,173; Predominantly Straight-Line)	$195,193,843

SNAP-ON TOOLS CORPORATION

Operating Expenses	
Branch and divisional	$17,498,504
Selling and shipping	2,792,836
Administrative	2,579,159
Product research and engineering	594,925
	$23,465,424

Distribution Expenses

BOBBIE BROOKS, INCORPORATED

Costs and expenses:	
Cost of sales	$ 90,267,400
Selling, warehouse, general and administrative expenses	29,717,906
Interest expense	1,653,378
	$121,638,684

INTERNATIONAL PAPER COMPANY

Costs and Expenses:	
Cost of goods sold exclusive of items listed below	$1,245,976,000
Freight and delivery expense	132,427,000
Selling, general and administrative expenses	119,799,000
Depreciation and depletion	88,334,000
Interest	25,916,000
	$1,612,452,000

IPCO HOSPITAL SUPPLY CORPORATION

Cost of goods sold	$59,490,866
Shipping, selling and general and administrative expense	19,290,112
Interest expense	725,875
Total Cost and Expenses	$79,506,853

OUTBOARD MARINE CORPORATION

Costs and Expenses, including depreciation of $5,587,000 in 1969 computed principally on the straight-line method:	
Cost of goods sold	$215,108,000
Product research and development	12,423,000
Shipping	7,416,000
Selling and advertising	30,163,000
General and administrative	21,472,000
Interest and other expenses, net of other income	6,268,000
Total	$292,850,000

TIME INCORPORATED

Costs and Expenses	
Editorial, production, manufacturing and distribution	$396,490,000
Selling, advertising and general	183,305,000
	$579,795,000

Advertising

O'SULLIVAN RUBBER CORPORATION

Operating Expenses:	
Selling and warehousing	$ 915,548
Advertising and business promotion	131,370
General and administrative	387,956
Total Operating Expenses	$1,434,874

HELENA RUBINSTEIN, INC.

Cost of Sales and Expenses:	
Cost of sales	$25,444,114
Advertising, selling and administrative expenses	38,339,043
Interest expense	447,156
Interest income	(759,498)
	$63,470,815

Employee Benefits

ALAN WOOD STEEL COMPANY

Costs and Expenses:	
Employment costs:	
Wages and salaries	$30,355,561
Pensions, group insurance and other employee benefits (Note 8)	5,163,372
Social security taxes	1,443,216
	36,962,149
Materials and services	50,524,320
Depreciation	6,454,921
Gain on property sold or retired	(13,213)
Miscellaneous taxes	761,324
Interest, bond discount and debt expense	4,546,212
	$99,235,713

Notes to Consolidated Financial Statements

Note 8: Pension Plans—The Company's pension plans consist of non-contributory and contributory plans for salaried employees and a non-contributory plan for hourly employees. Total pension expense under the plans was $1,227,046 in 1969 and $1,110,017 in 1968, which includes amortization of prior service cost over a 40 year period. The Company's policy is to fund accrued pension cost. Effective January 1, 1970 the Company will increase the benefits under the salaried employees pension plans and will eliminate the contributory feature. The estimated annual increase in pension expense due to this revision is $175,000. Also, effective August 1, 1969 the Company increased its benefits under the hourly pension plan; this revision is estimated to increase annual pension expense by $425,000. In the opinion of independent actuaries, there was an unfunded vested liability for pension benefits of $3,109,000 under the plan for hourly employees as of the most recent valuation date, January 1, 1969. The unfunded prior service cost on a single premium basis as of December 31, 1969 was $13,687,000 increasing from $9,278,000 at December 31, 1968, primarily as a result of changes in the hourly plan during 1969 as indicated above.

FORD MOTOR COMPANY

Costs and Expenses	(in millions of dollars)
Costs, excluding items listed below	$11,743.5
Depreciation	385.2
Amortization of special tools	418.5
Selling and administrative	903.8
Employee retirement plans	158.1
Provision for supplemental compensation	36.5
	$13,645.6

LOWE'S COMPANIES, INC.

Costs and Expenses:	
Cost of Sales, Selling, Administrative and General Expenses	$106,945,500
Rents	448,187
Depreciation and Amortization	950,817
Contribution to Employees' Profit-Sharing Plan	1,046,666
Interest and Loan Expenses	267,434
Total Costs and Expenses	$109,658,604

WALGREEN CO.

Costs and Deductions:	
Cost of sales	$485,085,916
Selling, occupancy and administration	161,793,554
Contribution to Employees' Profit-Sharing Retirement Trust	2,604,934
Interest expense, net	1,694,267
Federal and state income taxes (including deferred taxes of $967,000 in 1969)	9,595,000
	$660,773,671

GENERAL MILLS, INC.

Costs:	(in thousands)
Costs of sales, exclusive of items shown below	$556,329
Depreciation and amortization	22,615
Interest	12,810
Contributions to employees' retirement plans (Note 9)	2,091
Profit sharing distribution	2,349
Selling, general and administrative expenses	213,333
Total	$809,527

Notes to Consolidated Financial Statements

Note 9 (in part): *Other Matters*—Pension expense for the year includes amortization of prior service cost of some plans over a period of 40 years. It is the company's policy to fund pension cost accrued. Based on actuarial determinations, the plans are fully funded with respect to all vested benefits.

Taxes (Other Than Income Taxes)

SPARTANS INDUSTRIES, INC.

Cost of sales and expenses (exclusive of items listed below):	
Cost of sales, including buying and certain occupancy expenses	$673,104,521
Advertising, selling and general and administrative expenses	185,347,998
Rent	33,485,526
Depreciation and amortization	9,564,836
Maintenance and repairs	4,182,383
Taxes other than income taxes	17,672,857
Interest	6,580,836
Total	$929,938,957

General and Administrative Expenses

MAREMONT CORPORATION

Costs and expenses:	
Cost of goods sold	$166,430,000
Shipping and selling expenses	39,197,000
General and administrative expenses	14,265,000
Interest expense and finance charges	7,006,000
Other (income) expense, net	(909,000)
Equity in undistributed net (income) loss of non-consolidated subsidiaries	(481,000)
Minority shareholders' interest in subsidiaries' net income	19,000
	$225,527,000

SIGNODE CORPORATION

Costs, Expenses and Profit Sharing:	
Cost of products sold and expenses applicable to strapping tools and machines in service with customers	$122,928,000
Merchandising	22,331,000
General and administrative	8,771,000
Depreciation	7,573,000
Interest expense, net	1,286,000
Profit sharing contributions	3,614,000
	$166,503,000

Strike Expense

KENNECOTT COPPER CORPORATION

Cost of goods sold	$702,518,064
Depreciation, depletion and amortization	72,705,013
Selling and general administrative expenses	40,056,079
Shutdown expenses during strikes	175,000
Interest expense	23,901,787
Research, exploration and miscellaneous	20,341,249
Provision for U. S. and foreign taxes on income (including $13,600,000 deferred)	65,600,000
	$925,297,192

MERCK & CO., INC.

Costs and Expenses	
Materials and production costs	$212,993,123
Marketing, administrative, and research expenses	242,153,957
Other expenses	4,448,911
	$459,595,991

The financial statements should be read in conjunction with the comments in the Financial Review and Personnel sections and with the note on page 23.

Financial Review (page 6):

Net Income (in part)—Consolidated net income after taxes was $100,605,000 compared with $92,871,000 for 1968. Earnings per share of common stock were $2.80 for 1969 and $2.60 for 1968, based on the average number of shares outstanding during each year.

The 11-week strike at certain U.S. plants, which ended July 18, caused increases in costs and expenses and some loss of sales. We estimate that these direct effects of the strike reduced 1969 earnings by about 7 cents a share. In addition, the Company continues to feel the indirect effects of having diverted many employees from their regular responsibilities to maintain production and supporting services during the strike.

Other Captions

WALT DISNEY PRODUCTIONS

Costs and Expenses	
Disneyland Park and other entertainment activities	$ 50,963,000
Amortization of theatrical and television production costs	15,380,000
Distribution costs—prints, advertising, etc.	20,363,000
Cost applicable to other income	12,418,000
General, administrative and selling expenses	15,665,000
Story, pre-production and imagineering costs abandoned	1,074,000
Total costs and expenses	$115,863,000

GIMBEL BROTHERS, INC.

Deduct:	
Cost of goods sold and expenses, exclusive of items which follow	$627,537,895
Maintenance and repairs	5,126,453
Depreciation	8,083,322
Taxes—other than those included in cost of goods sold or deducted from net sales, and income taxes	13,923,924
Rentals	6,198,184
Interest and debt expense (net)	4,472,648
	$665,342,426

PENN TRAFFIC COMPANY

Cost of Goods Sold and Expenses	
Exclusive of Items Listed Below	$74,655,495
Maintenance and Repairs	392,414
Depreciation	1,396,968
Rentals	1,131,777
Interest and Debt Expense	220,755
Taxes Other Than Federal and State Income Taxes	1,043,159
Payments to Retired Employees and Contributions to Retirement Plans	378,636
	$79,219,204

THE SUPERIOR OIL COMPANY

Expenses	
Operating Costs	$ 20,125,969
General and administrative	9,606,067
Rents of undeveloped leases	3,633,067
Taxes	9,895,409
Interest	7,995,979
Geological and geophysical	11,626,058
Intangible development costs	23,600,221
Nonproductive leases and other properties abandoned	7,208,711
Provision for depletion and depreciation	16,523,765
	$110,215,246

NON-OPERATING INCOME AND EXPENSES

In Chapter 8 of *Accounting Research Bulletin No. 43,* issued by the committee on accounting procedure of the American Institute of Certified Public Accountants, paragraph 4 states:

> It must also be recognized that the ultimate distinction between *operating* income and charges and *non-operating* gains and losses, terms having considerable currency in the accounting profession, has not been established. The former are generally defined as recurrent features of business operation, more or less normal and dependable in their incidence from year to year; the latter are generally considered to be irregular and unpredictable, more or less fortuitous and incidental. . . .

Opinion No. 9 which was issued in December 1966 by the Accounting Principles Board and superseded Chapter 8, contained no such discussion of non-operating gains and losses. Further, those companies which have adopted the single-step form of income statement (see Table 3-2) no longer indicate any sharp distinction between operating and non-operating income and expenses. Tables 3-6 and 3-7 have been prepared to show the incidence of items previously included in the non-operating income of the multi-step form of income statement. Excluded from these tables are those

TABLE 3-6: NON-OPERATING INCOME

Presentation in Income Statement*	1969
A: Interest income	158
B: Dividend income	104
Equity in earnings of unconsolidated subsidiary or affiliated companies	78
C: Royalty income	48
D: Gain on disposition of assets	36
Other captions	48
Other (sundry, miscellaneous, etc.) income	523
Total presentations	995
Number of Companies	
Presenting non-operating income items	539
Not presenting non-operating income	61
Total	600

* Refer to Company Appendix Section—A: 233, 473, 694; B: 88, 157, 534; C: 375, 584; D: 101, 662.

items appearing in the income statement after the deductions of income taxes (see Table 3-27).

As shown in Table 3-6, 523 companies merely disclosed the fact that non-operating income was earned during the year, but they did not disclose the sources from which this income was obtained. Of the various accounts that comprise *other income,* 158 companies listed interest (or discount) income, 104 disclosed income from dividends (including dividends from subsidiary and affiliated companies), and 78 presented their equity in the earnings of non-consolidated subsidiaries and affiliates. (For additional information, concerning the disclosure of equity in earnings, see Table 3-26).

The various types of non-operating expenses are summarized in Table 3-7. Of the 600 companies surveyed, 510 had specific captions denoting interest expense or variations thereof, 61 showed debt discount and expense and 53 presented minority interest (see Table 3-25). Many companies do not itemize their specific non-operating expenses, but combine them into one caption such as *other expenses* or *other expenses, net.*

TABLE 3-7: NON-OPERATING EXPENSES

Presentation in Income Statement*	1969
A: Interest expense	510
B: Debt discount and expense	61
Minority interests	53
Foreign exchanges losses	9
Discontinued operations	8
Other captions	22
Other (sundry, miscellaneous, etc.) charges	304
Total	967
Number of Companies	
Presenting non-operating expenses	565
Not presenting non-operating expenses	35
Total	600

* Refer to Company Appendix Section—A: 445, 571, 706; B: 11, 285, 327.

The following examples illustrate non-operating income and non-operating expenses presented in the 1969 annual reports of the survey companies. For examples of equity in earnings, minority interests, and foreign exchange losses refer to Tables 3-26, 3-25, and 3-23, respectively.

Interest Income

ALPHA PORTLAND CEMENT COMPANY

Revenues:	
Sales	$46,233,780
Construction contracts	25,236,040
Income from joint ventures	536,919
Interest income	582,369
Other—net	355,763
Total revenues	$72,944,871

ALUMINUM COMPANY OF AMERICA

Sales and operating revenues	$1,545,239,442
Equity in earnings (losses) of entities not consolidated:	
Real estate developments	6,027,021
Other	8,607,318
Interest, principally from entities not consolidated	10,262,687
Other income	13,329,913
	$1,583,466,381

DEERE & COMPANY

Sales and Other Income:	
Net sales	$1,043,033,000
Interest and miscellaneous income (includes interest received from John Deere Credit Company of $6,045,000 in 1969)	33,647,000
Net income of credit company subsidiaries	5,499,000
Total sales and other income	$1,082,179,000

Dividend Income

AMERICAN METAL CLIMAX, INC.

Dividend income (page 39)	$22,230,000
Interest income and net profit on investments	12,450,000
Interest on notes payable	(10,810,000)
Earnings from other sources	$23,870,000

Financial Review (p. 39)

Dividends from Amax Investments in Other Companies

	(In Thousands)
In Africa	
Roan Selection Trust Limited	$14,280
Tsumeb Corporation Limited	5,140
O'okiep Copper Company Limited	2,400
Miscellaneous	410
Total before U.S. tax	$22,230

CRANE CO.

Other Income (Deductions):	
Interest—net	$(11,947,201)
Gain on disposal of capital assets—net	1,089,863
Dividend income on investments	2,617,755
Miscellaneous—net	210,894
	$ (8,028,689)

THE DOW CHEMICAL COMPANY

Non-Products and Services	
Investment and financial:	
Profit on investment turnover	$11,117,707
Income from sundry investments	2,572,591
Equity in earnings of Swiss banking subsidiary	2,112,725
Administrative expenses	(1,286,113)
Investment and financial income	14,516,910
Other:	
Dividends from associated companies	9,278,203
Sundry income—net	26,213,026
Interest expense—net	(54,315,243)
Non-products and services income (loss)	$(4,307,104)

UNITED AIRCRAFT CORPORATION

Income:	
Sales	$2,350,391,221
Royalties from licensees	3,964,517
Dividends from affiliated companies	1,211,019
Other income	12,330,149
	$2,367,896,906

Royalty Income

BRISTOL-MYERS COMPANY

Income:	
Net sales	$928,241,989
Royalties	6,135,748
Interest	1,759,935
Miscellaneous income	1,681,145
	$937,818,817

OWENS-ILLINOIS, INC.

Other Income	(Thousands of Dollars)
Dividends	$ 3,425
Interest	3,107
Royalties and net technical assistance	6,413
Equity in earnings of domestic associates	1,507
Gains on sales of assets	6,037
Miscellaneous	4,710
	$25,199

Gain on Disposition of Assets

INDIAN HEAD INC.

Other Deductions	
Interest expense—net	$6,787,000
Profit on disposal of capital assets	(248,000)
Other expenses (income)	(360,000)
	$6,179,000

PENNWALT CORPORATION

Net Sales (including capital gains of $1,070,000 in 1969)	$409,720,000

THE SIGNAL COMPANIES, INC.

Income:	
Sales (including excise taxes on oil products: 1969, $70,872,000; 1968, $74,104,000)	$1,503,293,000
Dividends and interest	8,317,000
Gain on sale of securities	10,301,000
Equity in income of unconsolidated subsidiaries and fifty-percent owned companies	6,507,000
Other	6,127,000
Total	$1,534,545,000

Other Captions

ASSOCIATED PRODUCTS, INC.

Income from operations	$6,337,261
Profit on investment securities sold	4,576
Life insurance proceeds in excess of cash value	60,117
Total earnings before federal taxes and earnings of foreign subsidiaries	$6,401,954

THE MAY DEPARTMENT STORES COMPANY

Net Retail Sales (including leased departments)	$1,134,236,872
Rental Income	6,305,788
	$1,140,542,660

THE GENERAL TIRE & RUBBER COMPANY

Net sales	$1,087,800,000
Foreign management and technical fees, less expenses	5,591,000
Interest, dividends and other income	5,530,000
Income of RKO General, Inc. and its consolidated subsidiaries, before extraordinary items	4,709,000
	$1,103,630,000

SQUARE D COMPANY

Revenues:	
Net sales	$233,013,451
Dividends and engineering fees from nonconsolidated foreign affiliates	1,150,246
Interest and miscellaneous	1,377,397
	$235,541,094

Interest Expense

SCOVILL MANUFACTURING COMPANY

Costs and Expenses	
Cost of sales	$342,932,000
Selling, administrative, research, and general expenses	64,856,000
Interest on borrowed money	5,756,000
Other deductions	1,552,000
	$415,096,000

UNION CARBIDE CORPORATION

	(Thousands of Dollars)
Income from Operations	$355,276
Other Income—Net	33,201
Less: Interest on Long- and Short-Term Debt	50,886

Debt Discount and Expense

GYRODYNE COMPANY OF AMERICA, INC.

Other Charges (Net):	
Interest and Amortization of Debt Expense	$ 37,254
Miscellaneous Expenses	214,321
Other Income	(151,202)
	$100,373

NORTHROP CORPORATION

Deductions from Income:	
Manufacturing costs and administrative and general expenses	$517,939,047
Interest expense and amortization of debenture and note issuance expense—net	6,548,353
Other deductions	933,376
	$525,420,776

Discontinued Operations

CARNATION COMPANY

Net Sales	$964,404,077
Miscellaneous Income—Net (Note 8)	5,384,693
	$969,788,770

Note 8: Miscellaneous Income (net)—In addition to interest and dividends of $5,200,000, miscellaneous income (net) in 1969 includes the profit of $1,295,000 on sale of marketable securities (less related income taxes of $225,000) and Carnation's equity of approximately $949,000 in earnings of 50% owned companies. Also included is a loss of approximately $3,853,000 arising from discontinuance of the use of cyclamate in company products less related income taxes of $2,034,000.

INTERNATIONAL MILLING COMPANY INC.

Costs and Expenses:	
Cost of sales	$289,239,053
Selling, general and administrative expenses	38,285,819
Interest	3,730,187
Plant closings and major property disposals (Note 2)	1,009,142
Miscellaneous deductions	406,911
	$332,671,112

Note 2: Plant Closings and Major Property Disposals—During the year the Company permanently closed two U. S. flour mills and a grain elevator and sold a Canadian dock business. Provision of $1,009,142 has been made for estimated net losses arising from these events and for ultimate disposal of a parcel of non-operating land. After giving effect to related income taxes these transactions decreased consolidated net earnings by $72,679, representing net losses applicable to the parent company of $714,718 reduced by a net gain of $642,039 (including a non-taxable gain on sale of the dock business) applicable to foreign subsidiaries.

Other Captions

HAZELTINE CORPORATION

Costs and Expenses	
Costs allocated to contract sales	$63,390,234
Industrial products engineering, marketing, and selling expenses	959,326
General and administrative expenses	4,975,936
Expenses applicable to patent and other income	738,403
Litigation expenses in connection with counterclaim in Hazeltine Research, Inc. v. Zenith Radio Corporation	278,058
Income taxes	3,010,000
	$73,351,957

CAPITALIZATION OF INTEREST

Examples illustrating capitalization of interest, selected from the eight survey companies which report such practice, are shown below.

TWENTIETH CENTURY-FOX FILM CORPORATION
Notes to Financial Statements

Note 2: Inventories—(a) Feature Film Productions:
Consistent with the policy adopted in 1967, the negative cost of each feature film is amortized in the proportion that the net revenue realized in each year bears to the estimate of the total ultimate net revenue expected to be realized from theatrical and television exhibition.

Consistent with the policy adopted in 1968, interest incurred prior to release on debt considered as relating to feature film productions is included in production cost. Such interest amounted to $4,060,000 in 1969 and $1,922,000 in 1968.

(b) Television Series:

Television series production costs are being amortized in the proportion that the net revenue realized in each year bears to the estimate of the total net revenue expected to be realized from network and syndication distribution. This policy has resulted in the amortization of approximately 85% of production cost against television network revenue for 1969.

Film rental forecasts for both feature films and television series are continually reviewed by management and are revised if warranted by changing conditions. When theatrical and television film rental forecasts indicate that a feature or television production will result in an ultimate loss, additional amortization is provided currently to record such loss.

When the company obtains distribution rights to a film produced by an independent producer, the company frequently provides financing for production. Such advances for production expenditures are included in inventories.

While feature and television series 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.

U. S. PLYWOOD-CHAMPION PAPERS INC.
Notes to Financial Statements

Note 10: Long-Term Lease and Timber Cutting Obligations—Under certain leases with current aggregate rentals of $9,594,000, the Company has the right upon performance of its obligations thereunder to purchase the leased property for a nominal sum. The discounted aggregate rental under such leases is shown on the balance sheet as Long-Term Lease Obligations. The assets relating to such leases are included in Plant, Property and Equipment or Funds Held by Trustee for Construction.

One of these leases relates to a project currently under construction and the interest expense applicable to it, net of interest income earned on the related Funds Held by Trustee for Construction, is included in Other Assets on the balance sheet.

In addition, the aggregate annual rents for leases not reflected on the balance sheet and expiring after five years, which cover principally distributing facilities and administrative offices, amount to approximately $4,964,000 of which $2,670,000 is applicable to leases with a life in excess of 15 years.

Under a timber cutting contract, with current payments due of $2,648,000, the Company has the right to cut the timber and all future growth until 1988 at which time the Company has the right to purchase the remaining timber for a nominal sum. The discounted aggregate payments due under the contract is shown on the balance sheet as Long-Term Timber Cutting Obligation and the related right to the timber is included in Timberlands and Rights to Standing Timber.

WEYERHAEUSER COMPANY
Statement of Consolidated Income

	(Amounts in thousands)
Interest expense (Note 8)	$11,950

Note 8: Capitalized Interest—Interest expense for the year ended December 28, 1968 excludes capitalization interest amounting to $5,-700,000 on funds borrowed to purchase that portion of Dierks timber and timberlands that will support manufacturing facilities to be constructed over the next three to five years and on funds used to construct a new pulp mill.

EMPLOYMENT COSTS

Employment costs, including salaries and wages, were presented in the income statement by 18 companies, in the supplementary historical summary by 70 companies, and elsewhere in the annual report (financial review and president's letter) by 98 companies.

Of the companies disclosing their employment costs for the year, 68 showed separate dollar amounts for salaries and 118 combined salaries with various employee benefit and 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, additional compensation funds, contingent compensation plans, vacation and holiday plans, and deferred compensation plans.

TABLE 3-8: EMPLOYMENT COSTS

Information presented in*	1969	1968	1965	1960
A: Income statement	18	18	24	32
B: Historical summary	70	64	150	154
Elsewhere	98	90	68	96
Number of Companies				
Showing employee costs	186	172	242	282
Not showing employee costs	414	428	358	318
Total	600	600	600	600
Nature of Presentation				
Salaries shown separately	68	68		
Salaries combined with other employee benefits	118	104		
Total	186	172		

* Refer to Company Appendix Section—A: 438, 518, 537; B: 154, 545, 685.

Shown in Income Statement

DOYLE DANE BERNBACH INC.

Operating Expenses:	
Salaries and other employee benefits	$23,625,392
Office and general expenses including depreciation and amortization of $583,-919 in 1969 and $500,668 in 1968	6,850,585
Total Operating Expenses	$30,475,977

THE GRAND UNION COMPANY

Operating and General Expenses:	
Salaries and wages to employees in the sales department	$ 90,842,639
Other selling, administrative and general expenses	99,474,088
	$190,316,727

McGRAW-EDISON COMPANY

Deductions:	
Materials and services purchased from others	$324,844,000
Wages, salaries, commissions, and employee benefit costs	207,345,000
Provision for depreciation (principally sum-of-the-years' digits method)	12,013,000
Federal, State, and Canadian taxes on income	34,182,000
Total deductions	$578,384,000

In Historical Summary

ALUMINUM COMPANY OF AMERICA
Twenty Year Summary

Earnings	
Total revenues	$1,583,466,381
Cost of materials, services, etc.	688,448,151
Wages, salaries and employee benefits	532,847,484
Depreciation and depletion	121,909,359
Taxes	117,884,889
Net income	122,376,498
Preferred stock dividends	2,474,679
Common stock dividends	38,707,284

PLOUGH, INC.
Ten Year Review

Other Statistics	
Wages, salaries and employee benefits	$22,595,983
Number of employees	3,098
Number of shareholders	16,118
Common shares outstanding	6,802,160

Elsewhere in Annual Report

DENNISON MANUFACTURING COMPANY
Financial Summary
Sales & Equipment Rentals

Total revenues of $142,193,000 were either expended for or allocated to the following major categories:

	Dollars in thousands	Percent
Paid for materials, services and supplies	$ 75,259	52.9%
Paid to employees	47,349	33.3%
Paid in taxes	7,970	5.6%
Provided for depreciation	6,966	4.9%
Reinvested in the business	2,406	1.7%
Paid in dividends	2,243	1.6%
Total Revenues	$142,193	100.0%

OWENS-ILLINOIS, INC.
People
1969 Employee Compensation

	(Thousands of Dollars)	
Wages and salaries	$471,245	89.1%
Social benefits taxes	25,583	4.8
Insurance benefits	16,725	3.2
Retirement benefits	14,422	2.7
Stock purchase plan benefits	1,186	.2
Total	$529,161	100.0%

1969 Employee Incentive Compensation

	(Thousands of Dollars)	
Plant personnel	$ 21,973	78.7%
Officers and management personnel	3,945	14.1
Sales personnel	1,297	4.6
Miscellaneous	724	2.6
Total	$ 27,939	100.0%

RCA CORPORATION
Financial Summary

Employment Costs—Employment costs totaled $1,202,523,000 in 1969 and equaled 37.3 per cent of sales, as compared with 36.6 per cent in 1968. As set forth in the table below, these costs include not only payments for wages, salaries, holidays, and vacations but also the amounts paid by RCA for retirement plans, group insurance, social security, and other benefits.

	Amount (In millions)	Per Cent to Sales	
	1969	1969	1968
Wages and salaries, including payments for vacations and holidays	$1,089.7	33.8	33.3
Retirement plans—company contribution	22.0	.7	.6
Social security, group insurance, and other employee benefits	90.8	2.8	2.7
Total employment costs	$1,202.5	37.3	36.6

Total employment costs for 1969 included $13,900,000 provided under the RCA Incentive Plan and $1,473,000 provided under the separate plan for Hertz employees. The number of regular participants in th RCA Incentive Plan was greater with respect to awards for 1969 than for any prior year.

PENSION AND RETIREMENT PLANS

In November 1966 the Accounting Principles Board of the American Institute of Certified Public Accountants issued *Opinion No. 8—Accounting for the Cost of Pension Plans* in order to clarify the accounting principles and to narrow the practices applicable to the accounting for pension plan costs. *Opinion No. 8*, effective for fiscal years beginning after December 31, 1966, states in part:

8. For the purposes of this Opinion, a pension plan is an arrangement whereby a company undertakes to provide its retired employees with benefits that can be determined or estimated in advance from the provisions of a document or documents or from the company's practices. Ordinarily, such benefits are monthly pension payments but, in many instances, they include death and disability payments. However, death and disability payments under a separate arrangement are not considered in this Opinion. The Opinion applies both to written plans and to plans whose existence may be implied from a well-defined, although perhaps unwritten, company policy. A company's practice of paying retirement benefits to selected employees in amounts determined on a case-by-case basis at or after retirement does not constitute a pension plan under this Opinion. The Opinion applies to pension cost incurred outside the United States under plans that are reasonably similar to those contemplated by this Opinion. . . .

16. The Board recognizes that a company may limit its legal obligation by specifying that pensions shall be payable only to the extent of the assets in the pension fund. Experience shows, however, that with rare exceptions pension plans continue indefinitely and that termination and other limitations of the liability of the company are not invoked while the company continues in business. Consequently, the Board believes that, in the absence of convincing evidence that the company will reduce or discontinue the benefits called for in a pension plan, the cost of the plan should be accounted for on the assumption that the company will continue to provide such benefits. This assumption implies a long-term undertaking, the cost of which should be recognized annually whether or not funded. Therefore, accounting for pension cost should not be discretionary.

17. All members of the Board believe that the entire cost of benefit payments ultimately to be made should be charged against income subsequent to the adoption or amendment of a plan and that no portion of such cost should be charged directly against retained earnings. Differences of opinion exist concerning the measure of the cost of such ultimate payments. . . . Accordingly, the Board believes that the annual provision for pension costs should be based on an accounting method that uses an acceptable actuarial cost method (as defined in Paragraphs 23 and 24) and results in a provision between the minimum and maximum stated below. The accounting method should be consistently applied from year to year.

a. *Minimum*. The annual provision for pension cost should not be less than the total of (1) normal cost, (2) an amount equivalent to interest on any unfunded prior service cost and (3) if indicated in the following sentence, a provision for vested benefits. A provision for vested benefits should be made if there is an excess of the actuarially computed value of vested benefits . . . over the total of (1) the pension fund and (2) any balance-sheet pension accruals, less (3) any balance-sheet pension prepayments or deferred charges, at the end of the year, and such excess is not at least 5 per cent less than the comparable excess at the beginning of the year. The provision for vested benefits should be the lesser of (A) the

amount, if any, by which 5 per cent of such excess at the beginning of the year is more than the amount of the reduction, if any, in such excess during the year or (B) the amount necessary to make the aggregate annual provision for pension cost equal to the total of (1) normal cost, (2) an amount equivalent to amortization, on a 40-year basis, of the past service cost (unless fully amortized), (3) amounts equivalent to amortization, on a 40-year basis, of the amounts of any increases or decreases in prior service cost arising on amendments of the plan (unless fully amortized) and (4) interest equivalents under Paragraph 42 or 43 on the difference between provisions and amounts funded.

b. *Maximum.* The annual provision for pension cost should not be greater than the total of (1) normal cost, (2) 10 per cent of the past service cost (until fully amortized), (3) 10 per cent of the amounts of any increases or decreases in prior service cost arising on amendments of the plan (until fully amortized) and (4) interest equivalents under Paragraph 42 or 43 on the difference between provisions and amounts funded. The 10 per cent limitation is considered necessary to prevent unreasonably large charges against income during a short period of years.

18. The difference between the amount which has been charged against income and the amount which has been paid should be shown in the balance sheet as accrued or prepaid pension cost. If the company has a legal obligation for pension cost in excess of amounts paid or accrued, the excess should be shown in the balance sheet as both a liability and a deferred charge. Except to the extent indicated in the preceding sentences of this paragraph, unfunded prior service cost is not a liability which should be shown in the balance sheet.

23. To be acceptable for determining cost for accounting purposes, an actuarial cost method should be rational and systematic and should be consistently applied so that it results in a reasonable measure of pensions cost from year to year. . . .

30. The Board believes that actuarial gains and losses, including realized investment gains and losses, should be given effect in the provision for pension cost in a consistent manner that reflects the long-range nature of pension cost. Accordingly, except as otherwise indicated in Paragraphs 31 and 33, actuarial gains and losses should be spread over the current year and future years or recognized on the basis of an average. . . .

31. Actuarial gains and losses should be recognized immediately if they arise from a single occurrence not directly related to the operation of the pension plan and not in the ordinary course of the employer's business. An example of such occurrences is a plant closing, in which case the actuarial gain or loss should be treated as an adjustment of the net gain or loss from that occurrence and not as an adjustment of pension cost for the year. . . .

TABLE 3-9: PENSION AND RETIREMENT PLANS

Current Year Expense Includes Cost for*	1969	1968	1967
A: Amortization of prior service cost	381	372	373
B: Interest on unfunded prior service cost	67	59	55
C: Charge for current year cost only	65	59	59
No reference to prior year costs	74	76	66
No charge for pension cost	10	5	11
Total	597	571	564
Additional Disclosures*			
D: Excess of vested benefits over amounts accrued or funded	150	142	135
E: Amount of unaccrued prior service costs	100	73	N/C
F: Changes in plan during year	61	61	51
G: Plan not fully funded	20	20	N/C
Number of Companies			
Disclosing pension plans	536	533	534
Not disclosing pension plans	64	67	66
Total	600	600	600

N/C—Not compiled.

* Refer to Company Appendix Section—A: 85, 260, 620; B: 147, 229, 452; C: 5, 380; D: 532, 569, 656; E: 273, 330, 494; F: 420, 544; G: 40, 224.

37. A company that has more than one pension plan neeed not use the same actuarial cost method for each one; however, the accounting for each plan should conform to this Opinion. . . .

42. This Opinion is written primarily in terms of pension plans that are funded. The accounting described applies also to plans that are unfunded. In unfunded plans, pension cost should be determined under an acceptable actuarial cost method in the same manner as for funded plans; however, because there is no fund to earn the assumed rate of interest, the pension-cost provision for the current year should be increased by an amount equivalent to the interest that would have been earned in the current year if the prior-year provisions had been funded.

46. The Board believes that pension plans are of sufficient importance to an understanding of financial position and results of operations that the following disclosures should be made in financial statements or their notes:

1. A statement that such plans exist, identifying or describing the employee groups covered.
2. A statement of the company's accounting and funding policies.
3. The provision for pension cost for the period.
4. The excess, if any, of the actuarially computed value of vested benefits over the total of the pension fund and any balance-sheet pension ac-

cruals, less any pension prepayments or deferred charges.

5. Nature and effect of significant matters affecting comparability for all periods presented, such as changes in accounting methods (actuarial cost method, amortization of past and prior service cost, treatment of actuarial gains and losses, etc.), changes in circumstances (actuarial assumptions, etc.), or adoption or amendment of a plan.

An example of what the Board considers to be appropriate disclosure is as follows:

The company and its subsidiaries have several pension plans covering substantially all of their employees, including certain employees in foreign countries. The total pension expense for the year was $..........., which includes, as to certain of the plans, amortization of prior service cost over periods ranging from 25 to 40 years. The company's policy is to fund pension cost accrued. The actuarially computed value of vested benefits for all plans as of December 31, 19...., exceeded the total of the pension fund and balance-sheet accruals less pension prepayments and deferred charges by approximately $........... A change during the year in the actuarial cost method used in computing pension cost had the effect of reducing net income for the year by approximately $...........

Table 3-9 shows that 536 of the survey companies disclosed their bases for determining pension expense. Of these companies, 381 are amortizing prior service cost for one or more pension plans; the remaining companies either provided an amount equivalent to interest on prior service cost, or had no unfunded prior service cost, or made no disclosure regarding prior service cost.

One hundred fifty companies disclosed the amount by which vested benefits exceeded amounts accrued or funded; 100 companies disclosed the amount of unaccrued prior service cost; 61 companies showed changes in their pension plans; and 20 companies stated that amounts charged to operations had not been fully funded. Examples of notes disclosing pension costs and pension policies are shown below.

Pension Costs Include Amortization of Prior Service Costs

CHRYSLER CORPORATION
Notes to Financial Statements

Pension and Retirement Plans—Chrysler Corporation and certain of its consolidated subsidiaries have pension and retirement plans covering substantially all of their employees. The total expense of these plans during 1969 was $114.6 million, which includes amortization of the unfunded prior service costs over periods not exceeding thirty years. The Corporation's policy is to fund pension costs as accrued.

Changes made in actuarial assumptions effective January 1, 1969 increased net earnings in 1969 by approximately $5 million.

As of January 1, 1969, the actuarially computed value of the vested benefits for certain plans exceeds the total of those pension funds (at market value) by approximately $230 million. Pension funds for the other plans exceed the actuarially computed value of vested benefits.

THE FIRESTONE TIRE & RUBBER COMPANY
Report to Stockholders

Wages, salaries and employee benefits totaled $734,173,165. Employee benefits include pension plans covering the majority of our employees. The cost of these plans for the year was $29,789,203 including amortization of prior service cost over a period of 30 years. Pensions costs accrued are being funded by payments to trustees. The actuarially computed value of vested benefits for the plans, as of the latest valuation date, exceeded the total of the pension funds by approximately $81,800,000.

FRUEHAUF CORPORATION
Notes to Financial Statements

Note 1: Pensions—The Corporation has noncontributory pension plans covering substantially all hourly and salaried employees. The total pension expense was $3,700,000 in 1969 and $2,920,000 in 1968 including amortization of past service cost over 30-year periods. The Corporation's policy is to fund accrued pension cost on an actuarially sound basis which conforms to current recommendations of the American Institute of Certified Public Accountants. The actuarially computed value of unfunded vested benefits of all plans was $6,340,000 at December 31, 1969.

OXFORD INDUSTRIES, INC.
Notes to Consolidated Financial Statements

Note H: Pension Plan—Oxford has two trusteed contributory pension plans covering substantially all full-time salaried employees and officers. Retirement income is based, generally, on length of service and annual compensation. Actuarially determined cost of the two plans which has been included as a charge against operations amounted to $300,625 and $225,662 for the years ended May 31, 1969 and May 31, 1968, respectively. All costs for service prior to adoption of one of the plans have been funded, whereas unfunded past service costs for the other plan at May 31, 1969 are estimated to be $300,000, which amount is being funded on a ten-year basis.

PHILLIPS PETROLEUM COMPANY
Notes to Financial Statements

Note 9: Retirement Income Plan—The Company has a voluntary contributory retirement income plan in which all full-time employees on United States dollar payrolls of the Company and certain subsidiaries are eligible to participate after one year of service. The Company's policy is to accrue and fund pension costs based on actuarial studies. Total Company contributions to the plan for 1969 were $11,778,000 which includes amortization of unfunded past service liabilities over a period of 25 years.

P. R. MALLORY & CO. INC.
Notes to Financial Statements

Note 7: Retirement and Profit-Sharing Plans—Retirement and profit-sharing plans are in effect covering a large number of the employees of the Company and its consolidated subsidiaries. Consolidated earnings have been charged with $2,601,000 and $3,087,000 with respect to these plans in 1969 and 1968, respectively, which includes, as to certain of the retirement plans, amortization of prior service costs over periods of 15 to 40 years. The Company's policy is to fund pension cost accrued. The actuarially computed value of vested benefits under one of the retirement plans exceeded the market value of the corresponding fund assets by approximately $631,000 at December 31, 1969.

J. RAY McDERMOTT & CO., INC.
Notes to Consolidated Financial Statements

Note 10: The Company's revised pension plan, effective January 1, 1968, includes substantially all of the employees of the Company, including certain employees in foreign countries who have a contractual right to return to the United States at some future date. The total pension cost of $1,107,488 for the year ended March 31,

1969, provides for the payment of the normal cost and amortization of prior service costs over a period of 30 years from January 1, 1968. The actuarial cost method used is the entry-age normal cost method. Under this method, at March 31, 1969, the unfunded prior service costs amounted to approximately $7,500,000. At March 31, 1969, the book value of assets of the plan are estimated to exceed the actuarially computed value of vested benefits by approximately $1,470,000. No changes were made during the year which would have a significant effect on the pension expense for the year.

Pension Costs Show Separate Amount for Amortization of Prior Service Costs

THE CARBORUNDUM COMPANY
Notes to the Financial Statements

Note 8: Pension Plans—Trusteed and insured retirement plans cover substantially all employees of The Carborundum Company and its subsidiaries. In addition, payments are made to certain retired employees not under specific plans. The plans in general are on a non-contributory basis, with options for additional benefits on a contributory basis.

Total pension costs paid and charged to expense amounted to $3,130,000 in 1969 and $3,159,000 in 1968, and included contributions for past service benefits of $764,000 and $721,000, respectively.

Unfunded past service benefits increased during the year by approximately $5,700,000 resulting from increased benefits under certain plans and amounted to approximately $13,400,000 at December 31, 1969. Past service benefits are being paid principally over a 20 year period.

HERCULES INCORPORATED
Notes to Financial Statements

Note 3: Pension Plans—Hercules and its consolidated subsidiaries have various pension plans covering substantially all employes. The total pension expense for 1969 was $12,986,000, of which $6,377,000 was applicable to prior service. Total pension expense for 1968 was $14,373,000. Hercules policy, generally, is to fund currently accruing normal costs in full and estimated prior service costs not covered by the pension reserve at the rate of 10% a year. In addition, Hercules expects to pay, not later than 1993, the balance of the pension reserve to the trustee of the plan over the lives of employes with credited service prior to January 1, 1959.

PHELPS DODGE CORPORATION
Notes to Financial Statements

Note H: Pension Plans—The Corporation has pension plans covering substantially all of its employees. The total pension expense was $10,000,000 in 1969 ($7,100,000 in 1968), including $3,100,000 amortization of prior service cost, the major portion of which is being amortized over a period of twenty years. In 1969, the retirement plan for salaried employees was amended so that employee contributions are no longer required and, as a result of labor contracts negotiated during the year, benefits for day's-pay employees at certain plants were improved. These changes substantially accounted for the increased costs in 1969. The Corporation's policy is to fund the amounts accrued. The excess of employees' vested benefits over trust funds available amounts to approximately $450,000.

Pension Costs Cover Charge for Current Year—Under Union Contract

FEDDERS CORPORATION
Notes to Consolidated Financial Statements

Note 4: Pension Plans—Substantially all of the Company's employees are covered under one of the Company's four pension plans or under a union-sponsored plan to which the Company contributes. The total pension expense connected with the Company's plans during 1969 was $385,000 which includes provision for normal cost for all four of the plans, interest on prior service costs for three of the plans and the amortization of prior service costs of the fourth plan over periods ranging from 21 to 30 years. It is the Company's policy to fund pension cost accrued. For those Company pension plans where the actuarially computed value of the vested benefits exceeded the total of the applicable pension fund and any related balance sheet accrual, the aggregate excess value amounted to approximately $350,000 at August 31, 1969.

The Company's contributions to the union-sponsored pension plan are based on an hourly rate and in 1969 amounted to $115,000.

MAULE INDUSTRIES, INC.
Notes to Consolidated Financial Statements

Note 9: Pension Plan—The Company adopted a noncontributory retirement plan during 1968 which covers all employees except those otherwise covered by union agreements. The Company's policy is to fund pension costs accrued. The cost of this plan charged to income in 1969 was $52,699 and in 1968 was $41,591 which includes amortization of prior service costs over a period of 40 years. There were no vested benefits at December 31, 1969. The unfunded prior service cost liability at December 31, 1968 is $235,328.

Payments to union operated pension plans on a defined contribution basis amounted to $64,416 in 1969 and $33,034 in 1968.

SEABOARD ALLIED MILLING CORPORATION
Notes to Consolidated Financial Statements

Note 14: Pension and Retirement Plans—During the year ended May 31, 1969 the Company amended its non-contributory pension plan covering eligible employees of certain grain and milling divisions. Contributions accrued by the Company covering current cost and past services costs, which are being amortized over 25 years, for the year ended May 31, 1969 amounted to $151,000. At May 31, 1969 the total assets of the plan exceeded the actuarially computed value of all vested benefits. The Company also has a trusteed profit sharing plan covering eligible salaried employees. Contributions accrued under the profit sharing plan for the year ended May 31, 1969 amounted to $25,759.

With respect to one division, the Company contributes under the terms of various union contracts to pension funds administered by the unions on an industry wide basis. For the year ended May 31, 1969, the participation cost, which was charged to operations amounted to $25,175.

Pensions Costs Cover Charge for Current Year—No Charge for Prior Service Costs

GARLOCK INC.
Notes to Financial Statements

Note 6: Total pension expense charged to income in 1969 was $317,000. Past service cost has been fully provided and funded in prior years. The Company's policy is to fund pension costs based on recommendations of its consulting actuaries.

THE STANDARD REGISTER COMPANY
Financial Notes

Note 2: Pension and Retirement Plans—Seven pension and retirement plans covering substantially all of the Company's employees are currently in force. The total pension cost for the year was $1,110,648, which includes, as to one of the plans, amortization of prior service cost over 30 years. The largest, the Stanreco Retirement Plan, is contributory and for the last three years only interest has been paid on its unfunded prior service cost. Unfunded prior service costs for these two plans totaled $2,091,467 at the end of the year.

The remaining five, covering Pacific Division employees only, are negotiated plans that do not involve liability for past services. The Company's policy is to fund pension costs accrued and, in the aggregate, the pension funds exceed the actuarially computed value of vested benefits.

UNITED AIRCRAFT CORPORATION
Financial Comments

Retirement-Income Plans—The Corporation has a Cooperative Retirement-Income Plan of the contributory type, and a Supplementary Retirement-Income Plan and a Pilots' Complemental Retirement-Income Plan which are non-contributory. Under the basic plan, all persons, including officers, who become regular employees of the Corporation or its domestic subsidiaries at least ten years prior to normal retirement age are eligible for participation after meeting certain service requirements. The plans are administered by an insurance company. Contributions by the Corporation and its domestic subsidiaries for current service annuities under the plans amounted to $46,721,000 in 1969. There are no unfunded costs under the plans.

Vested Benefits Exceed Pension Fund and Accruals

AMERICAN BAKERIES COMPANY
Notes to Financial Statements

Note 4: Retirement Plan—The company has a retirement plan provided for all employees not represented by a collective bargaining unit. The total 1969 retirement plan expense was $908,660 which includes amortization of prior-service cost over a forty-year period. As of December 27, 1969, approximately $1,208,660 of retirement costs accrued are not scheduled to be funded in 1970. At December 27, 1969, the actuarially computed value of vested benefits exceeded the total assets of the retirement plan fund and the balance sheet accrual by approximately $2,635,000.

GLEN ALDEN CORPORATION
Notes to Financial Statements

Retirement Plans—Glen Alden and its subsidiaries have various contributory and noncontributory retirement plans covering eligible employees. Unfunded prior service costs amounted to approximately $10,700,000 at December 31, 1969 of which $8,400,000 is being funded over various periods not exceeding thirty years. The amount charged to income under the plans, including interest on all unfunded prior service costs, was $2,760,000. It is the policy of Glen Alden to fund pension cost accrued. As of December 31, 1969, the actuarially computed value of vested benefits under applicable plans exceeded the total of the related pension funds and balance sheet accruals by approximately $3,100,000.

THE PITTSTON COMPANY
Notes to Financial Statements

Note 6: Pension Plans—The Company and its subsidiaries have several noncontributory pension plans which provide eligible employees with retirement and disability benefits based on past and future services. The total pension expense for the year was $1,089,000, which includes, as to certain of the plans, amortization of prior service cost over periods ranging from twenty-four to thirty years. The plans provide for the funding of the pension costs accrued. The actuarially computed value of vested benefits as of December 31, 1969 was approximately $1,661,000 in excess of the total pension funds and balance sheet accruals.

WHITE MOTOR CORPORATION
Notes to Consolidated Financial Statements

Note G: Pension Plans—The companies have several pension plans covering substantially all employees. The total pension expense for 1969, including amortization of prior service cost, was $9,300,000.

The companies' policy is to fund in accordance with the provisions of the various plans. Total vested benefits for all plans, actuarially computed during the year as of their respective anniversary dates, exceeded in the aggregate the total fund values and the balance sheet accruals by approximately $53,700,000.

Amount of Unaccrued Prior Service Cost Disclosed

INMONT CORPORATION
Notes to Consolidated Financial Statements

Note 11: Retirement Plans—The Company and its subsidiaries have several pension plans covering substantially all of their employees, including certain employees in foreign countries. The total pension expense for the year was $1,633,000 which includes, as to the principal plan, amortization of prior service cost over a ten-year period. In 1969, a change in the actuarial assumptions used in computing pension cost under the principal plan reduced pension expense by $441,000. The Company's policy is to fund pension costs as they accrue, subject to Internal Revenue Service limitations. Unfunded past service cost at the end of the year was $3,195,000. At December 31, 1969, the assets of the Company's principal plan exceeded the actuarially computed value of vested benefits.

INTERNATIONAL PAPER COMPANY
Notes to Financial Statements

Status of Employees' Retirement Plans—At December 31, 1969 a total of 37,013 employees, representing approximately 85% of those eligible, were enrolled under the retirement plans of the United States and Canadian companies and 6,571 retired employees were receiving benefits. The Companies' accrued pension costs are funded and these funds are not part of the assets of the Companies.

	Year 1969	Total to December 31, 1969
Balance of funds—beginning of periods	$315,526,000	$ —
Contributed by the Companies:		
For prior service benefits*	1,608,000	22,186,000
For current service benefits	11,342,000	154,844,000
Total contributions by the Companies	12,950,000	177,030,000
Contributed by employees	6,681,000	100,793,000
Earned by funds—net	16,697,000	129,608,000
	351,854,000	407,431,000
Less: Paid for retirement allowances and purchase of annuities	8,843,000	64,420,000
Balance of funds—end of periods	$343,011,000	$343,011,000

*The Companies' prior service contributions are being made at a rate which will amortize the unfunded portion (estimated at $25,500,000 at December 31, 1969) over a 25-year period from 1966.

NEW ENGLAND NUCLEAR CORPORATION
Notes to Financial Statements

Note E: Pension Plan—The balance of unfunded past service cost at February 28, 1969, in connection with Company's noncontributory retirement plan for the benefit of eligible employees, was actuarially estimated at $81,000. It is the intention of the Company to amortize this cost at the rate of approximately $11,000 per annum. Contributions for the years ended February 28, 1969 and 1968 covering current and past service costs were $115,196 and $100,548 respectively.

No Current Costs

ATLAS CHEMICAL INDUSTRIES, INC.
Notes to the Financial Statements

Note 1: Funded Pension Plan—The parent Company has one pension plan covering all its employees. There are no significant pension plans for employees of subsidiaries.

It is the Company's policy to accrue annual pension costs by an actuarial method which spreads the entire unfunded cost of pension benefits over the average future service lives of each of the employees. No charge to earnings was required for the parent Company's pension plan in 1969 and 1968 as determined by the actuarial valuation, which included consideration of the increased pension cost resulting from the 1969 amendments to the plan, nor was any contribution made to the pension fund.

The prepayment to the pension fund made in 1964 will be amortized by charges to earnings in future years for pension costs. This amount has been deducted for income tax purposes and the tax benefit has been deferred.

At December 31, 1969, the pension trust fund held assets with a cost of $15,011,000 and a market value of $19,057,000.

FIRST NATIONAL STORES INC.
Notes to Financial Statements

Note 5: Pensions—The Company maintains a trusteed noncontributory pension plan. It has been determined that no contribution to the Company plan will be required for several years as a result of the amortization of actuarial gains resulting from a change in the interest assumption and transfer of employees to various union pension plans plus a portion of the unrealized appreciation in the current fund. Total pension costs charged to earnings representing contributions to union plans was $2,341,000 in 1969 and $1,507,000 in 1968.

Changes in Plan

BEMIS COMPANY, INC.
Notes to Financial Statements

Note 7: Pension Plans—The Company and its subsidiaries have in effect several formal pension plans covering substantially all of their employees. In addition, the Company has followed the practice of paying informal pensions to former employees not covered by the formal plans. The total pension expense for the year 1969 was $2,861,358 which includes, as to certain of the plans, amorti-

zation of prior service costs over periods ranging from 10 to 40 years. The Company's policy is to fund pension cost accrued. The fund assets exceed the actuarially computed value of accrued vested benefits of some plans and for the specific plans where accrued vested benefits exceed fund assets, the excess is $6,283,490, all such determinations having been made as of the most recent valuation date of each plan. The 1969 $4,656,000 increase in this excess results primarily from improvements in the employee vesting provisions of one of the major plans.

CITIES SERVICE COMPANY
Notes to Consolidated Financial Statements

Note 4: The Company and its subsidiaries have several pension plans covering substantially all of their employees. Effective July 1, 1969 the Company amended its principal pension plan to provide for increased employer and decreased employee contributions thereby increasing annual pension expense by approximately $1,000,000. Total pension expense for the year of $13,100,000 includes prior service costs, most of which costs are being amortized over a period of years ending in 1996. Pension cost is funded as accrued. Pension fund assets at December 31, 1969 were in excess of the actuarially computed value of vested benefits for all plans as of that date.

R. J. REYNOLDS TOBACCO COMPANY
Notes to Consolidated Financial Statements

Note G: *Pension Plans*—The Company and its consolidated subsidiaries have several pension plans covering substantially all employees. The total expense for such plans for the year was $5,844,-561 compared with $3,723,214 for 1968, of which the major portion applied to the Employees' Retirement Plan of R. J. Reynolds Tobacco Company, a plan funded under the aggregate cost method. The cost of improvements to this plan during 1969, which were approved by the Company's stockholders on May 13, 1969, increased 1969 pension expense by $2,900,000. This increase was partially offset by a reduction of $1,125,000 as a result of a change in an actuarial assumption.

The Company's policy is to fund pension cost accrued. The total amount of assets so funded exceeded in the aggregate the actuarially computed value of vested benefits according to the most recent actuarial valuation.

Contributions are also made to various union administered plans established under the terms of collective bargaining agreements.

SCOVILL MANUFACTURING COMPANY
Notes to Financial Statements

Note D: The Company has several noncontributory pension plans for bargaining unit employees and salaried employees. Total pension expense under such plans for 1969 was $4,044,000, which includes amortization of prior service costs over periods of 30 to 40 years. It is the policy of the Company to fund pension costs accrued in respect of these plans. During 1969, a change in the actuarial assumption as to interest reduced pension expense by $889,000 and increased net income by $469,000. In addition, changes were made in the benefits provided by certain plans which will increase annual expense by approximately $1,455,000, commencing in 1970. As of the most recent valuation dates, the aggregate market value of fund assets of $28,180,000 represented approximately 56% of the related actuarially computed value of vested benefits.

The reserve for unfunded retirement benefits was provided in prior years for employees not included in funded plans and at December 28, 1969 was, based on actuarial computations, considered adequate to cover all future pension payments to be made to such employees. During 1969, a portion of the reserve was applied to offset current payments to such retirees.

Plan Not Fully Funded

CITY STORES COMPANY
Notes to Financial Statements

Note J: *Pension Plans*—The Company's non-contributory pension plans (as amended) cover, generally, employees with fifteen years of service who are not participants in any other plan to which the Company contributes. The plans provide for retirement generally at age 65 with no vesting of benefits. Although the Company does not presently contemplate funding these plans, it may do so in the future. The Company may amend, modify or terminate the plans in whole or in part at any time.

Annual amounts are provided, on the accrual basis, under these plans based on actuarial estimates of current costs and amortization of prior service costs over thirty years. For this year the amount charged to income was approximately $1,620,000. Under the plans there is no vesting, but if there were vesting, the actuarially computed value of vested benefits, as this term is defined in Opinion 8 of the Accounting Principles Board of the American Institute of Certified Public Accountants, would amount to approximately $9,-437,000.

WALWORTH COMPANY

Liability for Walworth Company pension plans negotiated under union agreements (Note 4)	$11,350,000

Note 4: The Company's Retirement Plan covers salaried employees (excepting those part of a collective bargaining unit) of the company and its domestic subsidiaries and is funded through annual contributions to a trustee. The cost of the Plan amounted to $257,000 in 1969 as compared to $288,000 in 1968. Plan assets are in excess of vested benefits. Pension plans covering all union employees have been negotiated as part of collective bargaining agreements. With one exception, the pension plans administered by the Company do not require funding; however, under certain agreements, payments (based on hours worked) are made directly to funds maintained by the respective unions and such payments are charged against income. The liability (excluding increased benefits granted in 1965) for employees covered under the unfunded plans, as determined by an independent actuary, is stated in the accompanying balance sheet at its present value. The liability (approximately $655,000 at December 31, 1969) for increased benefits granted in 1965 is being provided by a charge to income over the then remaining service life of 18.3 years. The liability is increased by a charge against income for current service and interest costs and is decreased by amounts paid to pensioners. One small pension plan under a collective bargaining agreement, is being funded through annual contributions to a trustee. The cost of all pension plans under collective bargaining agreements amounted to $725,000 in 1969 as compared to $747,000 in 1968.

The future income tax benefit of $5,600,000 applicable to the unfunded pension plans did not change during 1969. At December 31, 1968 the amount was reduced by $1,070,000 with respect to deferred income tax liability provided as a result of computing depreciation for tax purposes by accelerated methods.

OTHER EMPLOYEE BENEFIT PLANS

Table 3-10 shows that 224 of the survey companies disclosed employee benefit plans other than pension plans (Table 3-9) and stock option plans (Table 2-59). Examples of other employee benefit plans follow.

Incentive Compensation Plans

AMP INCORPORATED AND PAMCOR, INC.
Notes to Combined Financial Statements

Note 4: *Stock Plus Cash Bonus Plan and Treasury Stock*—All of the Endorsed Shares held in the treasury (1969—228,231; 1968—254,282) are reserved for the payment of stock bonuses under the incentive Stock Plus Cash Bonus Plan adopted by the Board of Directors. The number of shares to be distributed is determined by the appreciation in the market value of the Company's stock. During the year ended December 31, 1969, treasury stock was increased through the purchase of 10,200 shares at $455,000 and decreased through the distributions under the provisions of the Plan by 36,251 shares at a cost of $474,000. For awards granted before and outstanding on December 31, 1969, and based on the market value as of that date, 186,300 shares would be distributed in the years 1970 through 1979.

TABLE 3-10: EMPLOYEE BENEFIT PLANS

Benefit Offered by Company	1969
Incentive compensation	142
Profit-sharing plan	72
Deferred compensation contract	40
Other employee benefit plans	51
Total	305
Number of Companies	
Disclosing employee benefit plans	224
Not disclosing employee benefit plans	376
Total	600

BRISTOL-MYERS COMPANY

Notes to Consolidated Financial Statements

Percentage Compensation—The Percentage Compensation Plan provides for awards to officers and key executives of Bristol-Myers Company and its North American Subsidiaries, as defined therein, in an aggregate amount not exceeding 6% of the consolidated net earnings, as defined therein, before percentage compensation and income and excess profits taxes, or 8% of such earnings after such taxes and percentage compensation, whichever is lower. The Plan is intended primarily as an incentive to the officers and key executives and provides for the deferral of all or part of the amount of an award made thereunder. The amounts of awards, cash portions and deferred portions are determined by the Board of Directors. For 1969 the awards under the Plan amounted to $1,123,741 in cash portions and $632,613 in deferred portions, a total of $1,756,-354.

THE CESSNA AIRCRAFT COMPANY

Notes to Consolidated Financial Statements

Note 6: Retirement and Incentive Compensation Plans—The company has several retirement plans covering substantially all employees. Total costs of such plans charged to earnings in 1969 were approximately $4,000,000 which includes amortization of prior service costs within a 30 year period. The company's policy is to fund retirement plan costs accrued.

In 1969 the stockholders approved an incentive compensation plan for officers and key employees under which credits may be made to a reserve account of 1% of net earnings, as defined, when such net earnings are at least 15% of capital employed, as defined, increasing up to a maximum of 5% of net earnings when earnings are at least 35% of capital employed. Awards may be in cash or stock of the company and may be paid in full at the time of award or deferred until a later date. The charge to earnings in 1969 under the plan was approximately $1,100,000 and it is anticipated that the full amount will be awarded.

LIGGETT & MYERS INCORPORATED

Notes to Financial Statements

Note 6: Employees' Incentive Compensation and Retirement Plans—The Incentive Compensation Plan for Senior Executives, adopted in 1968, provides for distribution of incentive awards in restricted common stock of the Company. Awards are to be made only if consolidated earnings of the Company (as defined) show an increase over the average consolidated earnings for the three years preceding the year in which the award is earned, only out of such increase, and only if earnings per share (as defined) are not less than 1967 earnings per share (as adjusted for stock splits and certain other events.) The maximum amount chargeable to earnings (before income tax) for any Plan year is $750,000, and the maximum aggregate number of shares issuable under the Plan is 100,000 (subject to adjustment for future stock splits and stock dividends). The Plan is limited to five years ending December 31, 1972 unless extended by stockholders.

The Restricted Stock Bonus Plan for Key Employees, adopted in 1968, provides for the distribution of incentive awards in restricted common stock to not more than one hundred and fifty supervisory and key employees each year. The maximum aggregate number of shares issuable under this Plan (subject to adjustments for future stock splits and stock dividends) is 50,000, with a limitation of 10,000 shares in any one year.

For the Plan year ended December 31, 1969, the Company has provided for incentive awards under both plans aggregating $1,020,-527. The number of shares of restricted common stock of the Company to be issued in 1970 for the 1969 incentive awards under the senior executives' plan will be based on the average of the closing price of the Company's common stock on the New York Stock Exchange on the last day of each quarter in 1969. The aggregate number of shares to be issued in 1970 under both plans is 28,422.

The Company also has a profit sharing plan in effect and certain consolidated subsidiaries have profit sharing and incentive compensation plans in effect. Amounts to be provided under such plans are generally based upon annual earnings of the respective companies. The aggregate amount provided by charges to consolidated earnings for these plans for the year ended December 31, 1969 was $2,921,578.

The Company and certain of its consolidated subsidiaries have retirement plans covering most of their employees. The total retirement expense amounted to $1,444,182 for 1969 and $897,460 for 1968, which includes, as to certain of the plans, amortization of prior service cost over a period of twelve years. The companies' policy is to fund accrued retirement cost. At December 31, 1969, the assets of the retirement plan funds exceeded the aggregate vested benefits.

MERCK & CO., INC.

Incentive and Special Award Plans (page 18)—For 1969, awards totaling $2,857,000 were made to Merck executives and other key employees under the Executive Incentive Plan. Of this amount, $1,443,000 is payable in cash and $1,414,000 in contingent stock awards amounting to 13,042 shares of Merck common stock.

At the end of the year, 202,627 shares of unissued Merck common stock, including earned dividend equivalent shares, remained in participants' deferred conditional award accounts; they had a total award value of $11,451,000.

During 1969 the Company established and put into effect in the United States a Management Incentive Plan providing for non-deferred cash awards to motivate key management employees below the Executive Incentive Plan level in achieving the objectives of their own organizational units. A comparable Subsidiary Incentive Plan for overseas key management personnel was also established in 1969 and will be implemented in 1970, where feasible.

In addition, Merck has long had a Special Award Plan to reward extraordinary contributions to the Company by any employee. In 1969, 29 employees at various levels were recognized by such cash awards.

SQUIBB BEECH-NUT, INC.

Notes to Financial Statements

Note 7: Incentive Compensation Plan—The Company's management incentive compensation plan provides for awards to officers and key employees in cash, stock of the Company, or both; also, awards may be payable currently or deferred. The plan limits the total amount which can be provided in any one year to 6% of that part of consolidated net income before income taxes which is in excess of 7% of consolidated shareholders' equity. Awards in 1969 in respect of 1968 amounted to $1,778,000, leaving $179,000 available for awards in future years. The amount charged to income in 1969 under the plan was $2,032,000.

Profit Sharing Plans

COLLINS & AIKMAN CORPORATION

Notes to Consolidated Financial Statements

Note 5: Employees' Pension and Profit-Sharing Plans—The Company and two subsidiaries have non-contributory pension plans covering eligible salaried and hourly employees. The accounting and funding policy with respect to the plans is to provide amounts sufficient to meet normal cost plus interest on unfunded prior service cost, as computed by an independent actuary. Pension costs charged to income in 1969 and 1968 under the plans were $496,600 and $473,300 respectively. Other subsidiaries have employee pension plans, aggregate contributions to which amounted to $168,449 in 1969 and $163,810 in 1968. The actuarially computed value of vested benefits for all plans exceeded the total of the pension funds by approximately $1,000,000.

The Company has an employees' profit-sharing plan which provides for contributions to a fund to be held in trust by a corporate fiduciary of a sum equal to 8% of net income, as defined, for the year but not in excess of the amount permitted under the Internal Revenue Code as a deductible expense. A provision of $951,725 for the employees' profit-sharing plan was charged to income during the current year.

INTERPHOTO CORPORATION
Notes to Financial Statements

Note 6: Profit-Sharing and Stock Bonus Plans—During the year ended February 29, 1968 the Company had adopted a profit-sharing plan and a stock bonus plan, each a part of a retirement trust. Under the plans, the parent company and its participating subsidiaries may annually contribute to each plan such amounts out of profits, either in cash or stock, as their respective Board of Directors determine, though not in excess of 9⅜% of that portion of the annual salary of each participating employee which exceeds $4,800.

Neither the Company nor its subsidiaries made contributions to the retirement trust during the year ended February 28, 1969.

LOWE'S COMPANIES, INC.
Notes to Financial Statements

Note 5: Employees' Profit Sharing Plan—There is in effect a qualified noncontributory employee profit-sharing plan established in June 1957. The Company and subsidiaries generally contribute to the plan the maximum amount allowed under the Internal Revenue Code, that is, 15% of the aggregate annual compensation paid to participating employees. The trust created by the plan is the Company's largest shareholder.

THE PANTASOTE COMPANY
Notes to Financial Statements

Note 9: Employee Benefit Plans—a. Pension Plan—The Company has a pension plan covering certain employees in its domestic subsidiaries. The total pension expense for the year was $58,058 which includes amortization of prior service cost over 30 years. The Company's policy is to fund the pension costs accrued. Unfunded prior service costs at December 31, 1969, were $272,508. Vested benefits are not in excess of the fund's assets. As of January 1, 1970, the benefits pursuant to this plan have been liberalized and the Company's cost will increase correspondingly.

b. Profit Sharing Plan—The Company, effective January 1, 1969, adopted a new profit sharing plan, covering full-time salaried employees of all the domestic subsidiaries. Contributions to the plan are made at the discretion of the Board of Directors. The Company can terminate the plan at any time. No contribution was made to this plan for 1969. Certain domestic subsidiaries distributed cash bonuses aggregating $92,153 in lieu of contributions to the former profit sharing plan. Contributions in 1968 to the profit sharing plan amounted to $240,236.

c. Employees' Termination Indemnity—The Italian subsidiaries provide under terms of appropriate labor and employment contracts, a service pay guarantee based on employees' compensation and length of service. The charges to 1969 operations amounted to $67,547.

d. Deferred Compensation Plans—Deferred compensation agreements with certain key employees have been funded by life insurance policies, the cash value of which is included in Miscellaneous Assets.

Deferred Compensation Plans

THE ARUNDEL CORPORATION
Notes to Consolidated Financial Statements

Deferred Compensation—Under a deferred compensation agreement with the Chairman of the Board adopted by the Board of Directors as of January 1, 1969, the Corporation is obligated to reserve shares of its common stock for distribution to him or his beneficiary over a five year period subsequent to his retirement or death. The agreement provides that the number of shares reserved during each month until retirement shall be equivalent to $5,250 divided by the fair market value of the stock on the last day of each month. During 1969, 1,359 shares were reserved under the agreement and an amount of $63,000 was charged to operations with a corresponding increase in capital surplus.

BELDING HEMINWAY COMPANY, INC.
Notes to Financial Statements

Note H: The Company adopted its 1969 Incentive Stock Purchase Plan under which 50,000 shares of Common Stock may be sold to eligible employees at not less than $1.00 per share. The plan contains certain restrictions on the disposition of the shares sold for a period of 8 years, except that such restrictions lapse as to one-fifth of the shares per year commencing three years following the date of sale. During the year, the Company sold 17,000 shares of its Treasury Stock for $1.00 per share. The excess ($313,000) of the fair market value of such shares over the cost thereof has been credited to Capital Surplus; related deferred compensation in the amount of $339,000 (included in Deferred Charges in the accompanying consolidated balance sheet) is being amortized over the 8 year period of restriction on the disposition of the shares.

DRESSER INDUSTRIES, INC.
Liabilities and Shareowners' Equity

	(In Thousands of Dollars)
Deferred Compensation—*Note G*	$3,946

Note G: Deferred Compensation—A portion of the incentive compensation for officers and key employees is deferred for payment after termination of employment, either in common shares of the Company or in cash at the equivalent market value. The accrued deferred compensation liability applicable to prior years' accruals may be satisfied by the future issuance of common shares of the Company. 79,467 shares have been made available from the treasury for that purpose at October 31, 1969, and an additional number of shares will be so made available to satisfy the deferred liability accrued for the year ended October 31, 1969.

Other

THE ANACONDA COMPANY
Notes to Financial Statements

Note K: Savings Fund Plan—Shareholders at the 1969 annual meeting approved a Savings Fund Plan for eligible salaried employees, which became effective November 1, 1969. The Plan is administered through a bank trustee by a committee appointed by the Board of Directors. Participating employees may contribute to the Plan through payroll deductions up to a maximum of 8% of their base salary. At the direction of the employee, these contributions are to be invested in certain specified combinations of (a) common stock of the Company, (b) a fund consisting of obligations issued or guaranteed by the United States Government, or any agency thereof, and (c) a diversified fund consisting of selected equity securities. The Company's contributions, equal to 50% of employee contributions, are to be invested entirely in common stock of the Company. Company contributions vest in employees at the end of the fourth full year after the end of the calendar year in which such contributions were made. Shares of common stock of the Company acquired by the Plan's trustee may be purchased on the open market or from the Company at market price. For this purpose the Board of Directors has authorized the issuance of up to 337,000 of previously-unissued common shares. Company contributions during 1969 amounted to $280,000.

J. RAY McDERMOTT & CO., INC.
Notes to Consolidated Financial Statements

Note 13: The Company adopted an executive career stock plan effective June 11, 1968. The plan became operative in August, 1968, upon approval of the stockholders of the Company. The plan is intended to provide a method whereby employees of the Company and its subsidiaries who are largely responsible for the management, protection, and growth of the Company, and are expected to continue making substantial contributions to the successful growth of the Company, may be offered additional incentives and may be stimulated by personal involvement in the fortunes of the Company to continue in the service of the Company. Shares of the Company may be issued by a committee of the Board of Directors to any eligible employee. The consideration for shares awarded to an employee is based on the services of the employee. Under the terms of the plan, if an employee is terminated, except under certain conditions, before the stock vests in the employee, the stock shall be returned and become the property of the Company. Under this plan, 100,000 shares can be issued from time to time until December 31, 1978. During the year ended March 31, 1969, 73,800 shares were issued. The cost of the plan, based on fair market value on the date of issuance will be amortized over a ten year period. The stock vests in the employee at the rate of 13% on the third anniversary after issuance of the stock and 13% in each of the fourth, fifth and sixth years and 12% in each of the seventh, eighth, ninth and tenth years after issuance of the stock.

McDONNELL DOUGLAS CORPORATION
Notes to Consolidated Financial Statements

Note 1: Savings Plans—The voluntary savings plans provide that the Corporation contribute to a trustee amounts equal to certain percentages of the amounts saved by employees. These plans had been in effect at Douglas pre-merger and, with minor changes, were extended to all personnel of the Corporation, beginning 18 April 1969. Contributions may be made in cash; however, in the case of the salaried savings plan, certain contributions may be made in shares of the Corporation at the closing market price on the date of issue. Contributions during the year aggregated $22,204,109, of which $8,344,737 was the market price of the 239,300 shares contributed. The future annual costs of the plans are indeterminate because of the dependence upon employee compensation and participation. At 31 December 1969, there were 613,600 shares of Common Stock reserved for future issuance under the Plan.

UNIROYAL, INC.
Financial Review

Employees Stock Purchase and Savings Plans (in part)—The second plan is the UNIROYAL Savings Plan for Salaried Employees which began on August 1, 1968. Eligible employees may contribute two, four or six per cent of their current pay and direct that such deductions be invested in common stock of the Company or in a combination of common stock and U.S. Government bonds. The Company shall contribute not less than 25%, nor more than 100%, of the contribution made by each participant and is currently making contributions of 25% of payroll deductions. The entire amount of the Company contribution is invested in the common stock of the Company; the right to these shares of common stock vests in the employees after five years of continuing participation. The Company contribution may take the form of common stock or cash to be invested in such shares. If common stock is issued by the Company for its contributions, or for employee contributions, such shares are priced at the current market price. As of December 28, 1969, a total of 190,397 shares of common stock of the Company had been credited to the individual accounts of participants, including 39,048 shares contributed by the Company. In addition, participants had invested $172,000 in U.S. Government bonds.

TABLE 3-11: DEPRECIATION EXPENSE

Where Shown in Financial Statements*	1969	1968	1965	1960
Shown in Income Statement:				
A: As separate caption	270	273	292	326
B: As parenthetical matter within statement	41	44	45	57
C: As note at foot of statement	40	49	96	107
Not Shown in Income Statement:				
D: Disclosed in notes to financial statements	160	137	155	89
E: Disclosed in funds statement only	79	90	10	9
Shown only elsewhere in report	2	1		
Number of Companies				
Disclosing depreciation	592	594	598	588
Not disclosing depreciation	8	6	2	12
	600	600	600	600
Description of Provision				
Depreciation	300	301		
Depreciation and amortization	170	184		
Depreciation and depletion	51	56		
Depreciation, depletion, and amortization	39	36		
Other descriptions	32	17		
	592	594		

* Refer to Company Appendix Section—A: 40, 233, 692; B: 381, 639, 654; C: 284, 341, 685; D: 24, 128, 299; E: 6, 580, 618.

DEPRECIATION EXPENSE

In December 1967 the Accounting Principles Board of the American Institute of Certified Public Accountants issued *Opinion No. 12—Omnibus Opinion—1967*. Paragraph 5 states:

5. Because of the significant effects on financial position and results of operations of the depreciation method or methods used, the following disclosures should be made in the financial statements or in notes thereto:
   (a) Depreciation expense for the period,
   (b) Balances of major classes of depreciable assets, by nature or function, at the balance-sheet date,
   (c) Accumulated depreciation, either by major classes of depreciable assets or in total, at the balance-sheet date, and
   (d) A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets.

Table 3-11 summarizes both the manner in which the survey companies disclosed the annual charge for depreciation and the various captions used by the survey companies to show depreciation expense for the year.

Examples demonstrating disclosures of depreciation (depreciation and amortization, etc.) follow.

Listed as Elements of Cost in the Income Statement

W. R. GRACE & CO.

	(In Thousands)
Costs and Expenses:	
Cost of goods sold and operating expenses	$1,288,718
Selling, general and administrative expenses	327,430
Depreciation and depletion—See Page 53	63,172
Research and development expenses	19,197
Interest expense	44,375
U.S. and foreign taxes on income	26,266
Net unrealized foreign exchange losses	2,632
Income applicable to minority stockholders	5,387
	$1,777,177

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Properties and Equipment	Gross Book Value	Accumulated Depreciation and Depletion	Net Book Value
	(In Thousands)		
Land	$ 75,158	$ 3,724	$ 71,434
Producing and undeveloped oil properties	8,798	2,301	6,497
Buildings	227,529	83,701	143,828
Machinery, equipment, etc.	687,806	345,979	341,827
Projects under construction	53,959	—	53,959
	$1,053,250	$435,705	$617,545

Depreciation of properties and equipment is generally computed on the straight-line method over the estimated useful lives of the assets and depletion of mineral and oil producing properties is provided on the unit of production method.

AMERADA HESS CORPORATION

Costs and Expenses:	
Cost of products sold and operating expenses	$579,737,169
Exploration expenses	25,040,689
Selling, general and administrative expenses	90,534,306
Interest expense	21,299,901
Depreciation, depletion and lease relinquishments	36,262,395
Intangible drilling and development costs	26,164,692
Provision for income taxes	44,561,867
Total costs and expenses	$823,601,019

AMERICAN MOTORS CORPORATION

Costs and Expenses:	
Cost of automotive products sold, other than items below	$603,020,870
Selling, advertising, and administrative expenses	87,389,721
Amortization of tools and dies	23,893,281
Depreciation and amortization of plant and equipment (Note F)	10,335,175
Cost of pensions for employees	10,650,513
Interest	2,194,889
Equity in net loss of unconsolidated subsidiaries	2,240,810
	$739,725,259

Note F: Depreciation and Amortization—The cost of property, plant, and equipment is depreciated over the estimated useful lives of the assets. Substantially all assets acquired after 1957 are depreciated by the declining balance method, and all assets acquired prior to 1958 are depreciated by the straight-line method.

GRANITE CITY STEEL COMPANY

Costs and Expenses:	
Cost of products sold, including materials, wages and salaries, property taxes, and other manufacturing expenses	$136,790,000
Provision for depreciation (Note 2)	14,615,000
Selling, administrative, and general expenses	7,659,000
Interest expense, net	7,300,000
	$166,364,000

Note 2: Depreciation—In accordance with the company's established policy, depreciation of producing facilities is provided in relation to the rate of operations within guideline lives established by the Internal Revenue Service. Depreciation of all other facilities is provided using the straight-line method. Allowances for depreciation for federal income taxes are computed by using accelerated methods in accordance with Internal Revenue Service Regulations currently in force.

HALLIBURTON COMPANY

Costs and Expenses:	
Cost of sales and operating expenses	$828,984,547
Depreciation (Note 2)	41,598,589
General and administrative expenses	27,196,277
Contributions to employees' benefit funds	10,909,509
Total costs and expenses	$908,688,922

Note 2: Property, Plant and Equipment—Major classes of fixed assets at December 31, 1969 and 1968 were as follows:

	1969
Land	$ 3,965,812
Buildings	27,810,330
Machinery and equipment	354,595,842
Other	47,552,650
Total	$433,924,634

Depreciation rates are based on the estimated lives of the various classes of assets. The straight-line method is used for approximately 55% of the assets while an accelerated method is used for 45%. Generally, the same rates are used for both financial reporting and income tax purposes.

Set Forth in Note Within Income Statement

SYBRON CORPORATION

Statement of Income

Costs and Expenses (including depreciation 1969—$5,253,000):	
Cost of goods sold	$184,597,000
Selling, administrative, research and development expenses	80,331,000
Interest expense	5,282,000
Total Costs and Expenses	$270,210,000

VICTOR COMPTOMETER CORPORATION

Operating Expenses including depreciation (principally straight-line) of $3,148,577 for 1969—	
Cost of goods sold	$ 91,599,357
Selling, general and administrative	50,419,356
Interest	1,653,484
	$143,672,197

Presented at Foot of Income Statement

MERCK & CO., INC.

Income	
Sales of products	$646,932,900
Royalties received	4,432,810
Other income	11,433,480
	662,799,190
Costs and Expenses	
Materials and production costs	212,993,123
Marketing, administrative, and research expenses	242,153,957
Other expenses	4,448,911
	459,595,991
Income Before Taxes	203,203,199
Taxes on Income	102,100,000
Minority Interests	498,318
Net Income	$100,604,881
Earnings per share of common stock	$2.80
Based on average shares outstanding	
The above statements include:	
Research and development expenses	$ 60,277,000
Royalties paid	3,864,000
Repairs, alterations, and maintenance	12,520,000
Depreciation and obsolescence	22,049,000
Taxes, other than taxes on income	13,060,000
Taxes on foreign income	19,335,000

BROWN SHOE COMPANY

Net sales	$394,995,650
Sundry income—net	628,808
	395,624,458
Deduct:	
Cost of goods sold	246,574,478
Selling and administrative expenses	113,972,120
Interest expense	1,608,590
Federal and state income taxes	17,200,000
	379,355,188
Net earnings	$ 16,269,270
Net earnings per share of Common Stock	$2.40
Depreciation and amortization charges included above	$ 5,992,394

Notes to Financial Statements

Note B: Depreciation Policies—Depreciation and amortization of property, plant, and equipment is provided over the estimated useful lives of the assets, or the remaining term of leases where applicable, on principally the straight-line method for buildings and leasehold improvements and the sum-of-the-years digits method for machinery and equipment, except for certain short lived assets which are depreciated solely on the straight-line method.

Disclosed in Notes to Financial Statements

BORDEN, INC.
Notes to Financial Statements

Note 7: Depreciation, Depletion, and Rentals—Depreciation, depletion, and amortization of property and equipment charged to operations amounted to $36,512,680 for 1969 and $33,845,379 for 1968. In general, depreciation is recorded in the accounts of the Company over the estimated useful lives of the assets on a "straight-line" basis. Rentals (excluding payments on capitalized leases) amounted to approximately $17,186,000, of which $5,446,000 was related to long-term leases that had initial lease periods generally from eight to ten years.

ENGELHARD MINERALS & CHEMICALS CORPORATION
Notes to Consolidated Financial Statements

Note 3: Depreciation and Depletion—It is the policy of the Company to provide for depreciation principally under straight-line and sum-of-the-years digits methods by charges to income in amounts sufficient to write off the cost of depreciable assets over their estimated useful lives. Depletion of mineral deposits has been provided at amounts estimated to cover the cost of the particular properties being mined, based on quantities depleted and periodic estimates of the minerals in place on such properties. Depreciation and depletion charged to earnings for the year 1969 amounted to $9,240,476; for the year 1968, $8,253,750.

GENERAL CIGAR CO., INC.
Notes to Financial Statements

Note 8: Revenue and Expense—Other revenue includes royalties of $869,000 in 1969 and $985,000 in 1968.

Costs and other expenses include depreciation and amortization of $2,622,000 in 1969 and $2,510,000 in 1968. The provision for depreciation is based on straight-line method for financial statement purposes and principally on accelerated methods for tax purposes. The amortization of cigar machine licenses is based principally on the straight-line method for financial statement and tax purposes. Depreciation and amortization rates are based upon the estimated useful lives of the assets.

GULF OIL CORPORATION
Notes to Financial Statements

Properties, Plants and Equipment

	December 31, 1969		Year 1969	
	Gross Investment at Cost	Accumulated Depreciation, etc.	Depreciation, etc. charged to income	Expenditures
	(Thousands of Dollars)			
Exploration & Production	$4,480,526	$2,463,122	$225,677	$388,540
Natural Gas Liquids	293,714	142,905	12,322	21,104
Transportation	801,462	311,193	29,188	103,593
Refining	1,358,304	728,332	50,940	132,463
Chemicals	568,076	187,722	29,011	88,290
Marketing	1,776,187	579,987	84,306	186,622
Other	318,481	113,298	19,326	32,856
	$9,596,750	$4,527,559	$450,770	$953,468

Costs of undeveloped leases generally are amortized from date of acquisition, based on average holding period, and are transferred to producing properties if production is obtained; the costs of leases relinquished are charged to accumulated amortization. Exploration costs and costs of dry holes are charged currently to income. The provisions for depreciation and depletion of producing leases, lease and well equipment and intangible drilling costs represent charges per unit of production based on estimated recoverable oil and gas reserves.

Provisions for depreciation and amortization of properties other than those of the exploration and production departments are generally determined on the group method based on estimated remaining useful economic lives of groups of related properties, plants and equipment. Under this method rates are revised when a change in life expectancy becomes apparent. Maintenance and repairs are charged to income and renewals and betterments which extend the physical or economic life of the properties are capitalized.

Properties retired or otherwise disposed of are eliminated from the property accounts and the amounts, after adjustment for salvage and dismantling expenses, are charged to accumulated depreciation or depletion; only gains and losses on extraordinary retirements, retirements involving entire groups of properties and properties retired or otherwise disposed of by a Canadian subsidiary are taken to income.

Shown Only in Funds Statement

BATH INDUSTRIES, INC.

Source of Funds:	
Net income	$ 8,575,000
Depreciation, computed principally on the straight line method	3,697,000
Provision for deferred Federal income taxes	501,000
Total from operations	$12,773,000
Proceeds from exercise of stock options and warrants	133,000
	$12,906,000

TEXAS GULF SULPHUR COMPANY

Funds were provided from	
Net income	$61,467,000
Charges to income not involving working capital	
Depreciation and amortization and exploration costs of prior years	18,313,000
Deferred taxes	6,064,000
Other items—net	2,992,000
	88,836,000
Other accounts—net	151,000
Increase in non-current notes payable	5,961,000
	$94,948,000

DEPRECIATION POLICY

Paragraph 5 of Chapter 9, Section C of *Accounting Research Bulletin No. 43* states:

> The cost of a productive facility is one of the costs of the services it renders during its useful economic life. Generally accepted accounting principles require that this cost be spread over the expected useful life of the facility in such a way as to allocate it as equitably as possible to the periods during which services are obtained from the use of the facility. This procedure is known as depreciation accounting, a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation.

There are many methods that fulfill the requirement of being "systematic and rational". Table 3-12 shows the different methods used by the survey companies. The table also shows that it is not uncommon for a company to use more than one method.

Many companies use a method of depreciation for tax purposes which is different from the method used for financial reporting. *Opinion No. 11—Accounting For Income Taxes* requires that the income tax expense shown in a company's financial statements reflect the tax effects of such a difference (see Table 3-17). Table 3-13 summarizes the depreciation methods used for income tax purposes.

Examples of disclosures of depreciation methods follow.

TABLE 3-12: DEPRECIATION AND DEPLETION POLICY

Method Used	1969	1968
Straight-line	534	451
Declining balance	90	77
Sum-of-the-years digits	56	50
Accelerated method—not specified	78	80
Units of production	46	36 (Units of production and Other methods combined)
Other methods	10	
Depletion method described	43	29
Total	857	723
Number of Companies		
Disclosing policy	571	503
Not disclosing policy	29	97
Total	600	600

TABLE 3-13: DEPRECIATION REPORTED FOR TAX RETURNS

Tax Provision Agrees with Book Provision*	1969	1968
A: Method not indicated	86	89
B: Accelerated method	23	35
C: Straight-line	16	14
	125	138
Tax Provision Differs from Book Provision*		
D: Method not indicated	246	203
E: Accelerated method	233	221
F: Straight-line	14	6
	493	430
Total	618	568
Number of Companies		
Indicating whether book or tax policy correspond	590	545
No indication	10	55
Total	600	600
Number of companies disclosing tax basis for depletion	6	12

* Refer to Company Appendix Section—A: 205, 272, 346; B: 87, 487, 541; C: 65, 274, 708; D: 18, 77, 322; E: 53, 141, 198; F: 118, 393.

Straight-Line Depreciation

ABBOTT LABORATORIES
Notes to Financial Statements

Note D: Depreciation and Investment Tax Credit—Depreciation has been consistently provided by the Company on the straight line method at rates adequate to amortize cost of property and equipment over their estimated useful lives. Depreciation charged to income was $11,008,000 for 1969, and $9,115,000 for 1968.

The Company reduces the cost of qualified equipment by the amount of investment tax credit, which is amortized over the useful lives of the property. During 1969, $271,000 was amortized, and as of December 31, 1969, the balance to be amortized is $2,782,000.

ADAMS-MILLIS CORPORATION
Notes to Consolidated Financial Statements

Note C: Depreciation and Income Taxes—Provision for depreciation of property, plants, and equipment included in cost and expenses amounted to $1,931,285 in 1969 and $1,358,852 in 1968. The company and its subsidiaries compute depreciation by the straight-line and accelerated methods. For income tax purposes, the guideline lives permitted by the Internal Revenue Service are used for certain assets, whereas individual asset lives are used for financial reporting purposes. An appropriate provision has been made for deferred income taxes.

The investment tax credit, which was applied as a reduction of provision for taxes on income, amounted to $162,381 in 1969 and $127,384 in 1968.

DEERE & COMPANY
Financial Review

Capital Expenditures and Depreciation—Expenditures for property and equipment were $39 million in 1969 compared with $75 million in 1968. 64 per cent of these expenditures were in the United States and Canada.

Depreciation totaled $31.4 million in 1969 compared with $37.7 million in 1968. In the United States, the Company and its subsidiaries changed from the declining-balance method to the straight-line method for computing depreciation for book purposes. This resulted in reducing 1969 depreciation by $9.5 million. Outside of the United States the straight-line method is generally used except in Canada where the declining-balance method is used.

LAFAYETTE RADIO ELECTRONICS CORPORATION

Costs and Expenses	
Cost of sales, selling and administrative expenses, excluding items below	$53,736,875
Rents	697,679
Taxes, other than on income	367,936
Depreciation	156,353
Provision for doubtful accounts	297,863
Interest	181,559
	$55,438,265

Notes to Consolidated Financial Statements

Note 3: Property—Depreciation of property is provided for by the straight-line method for fixtures and equipment over a ten-year life and for leasehold improvements over the lesser of the estimated life thereof or the terms of the related leases.

MIDAS-INTERNATIONAL CORPORATION

Costs and Expenses	
Cost of Sales	$45,676,675
Selling, Administrative and General Expenses	19,253,573
Depreciation and Amortization	1,208,226
Interest Expense	868,880
	$67,007,354

Notes to Consolidated Statements

Note 2: Depreciation Methods—Depreciation has been reported, both for financial and tax reporting purposes, generally on the composite straight-line basis and, in some instances, on the composite double declining-balance method.

QUAKER STATE OIL REFINING CORPORATION

Costs and Expenses	
Cost of sales and operating costs	$ 72,489,194
Selling, administrative and general expenses	16,681,490
Depreciation and depletion	3,801,669
Interest	628,109
Income taxes, including deferred taxes 1969, $(143,000); 1968, $84,250	10,400,000
	$104,000,462

Notes to Financial Statements

Note 1: Major classes of property, including land and construction work in progress, which are carried at cost, are detailed below:

Production	$25,359,758
Refining	23,663,047
Marketing	15,157,497
Transportation	3,100,440
Non-petroleum operations	2,051,102
Other	2,256,557
	$71,588,401

Costs of buildings and equipment are generally charged against income over the guideline lives of the assets by application of the composite basis of computing depreciation using the straight-line method. Costs of production properties are amortized by the unit of production method.

STOKELY-VAN CAMP, INC.

Notes to Financial Statements

Note 7: Effective June 1, 1968, the Company adopted the straight-line method of computing the provision for depreciation on substantially all depreciable property. In prior years, depreciation was provided principally on the sum-of-the-years-digits method, which practice the Company is continuing for income tax purposes. Provision has been made for the resulting deferred income tax. This change resulted in an increase in net income of $780,000 (24¢ per common share) for the year ended May 31, 1969.

Depreciation charged to cost and expenses was $4,182,000 for 1969 and $5,512,000 for 1968.

VEEDER INDUSTRIES INC.

Costs and Expenses	
Cost of sales and other operating charges exclusive of items listed below	$38,208,763
Depreciation and amortization—Note C	3,581,440
Selling, administrative and general expenses	11,222,003
Interest expense	688,037
	$53,700,243

Note C: Depreciation—Depreciation of property, plant and equipment is computed using accelerated methods (56%) and straight line methods (44%). Depreciation is apportioned over the following estimated useful lives:

Asset Class	Years
Buildings and structures, including improvements	20-45
Machinery and equipment	4-15

Declining-Balance Depreciation

ARVIN INDUSTRIES, INC.

Notes to Financial Statements

Note E: Depreciation and Amortization—Depreciation and amortization of property, plant and equipment is computed principally on the double declining-balance basis, except for buildings acquired prior to 1954 and leased plant facilities which are on the straight-line basis, over the estimated useful lives of the related assets. Depreciation and amortization expense for the year amounted to $2,913,-151, as compared with $2,963,929 for the prior year. The same methods and rates are used for both financial statement and tax purposes. Amortization of tools, dies, etc., amounted to $2,123,972 in 1969 and $2,104,945 in 1968.

During the year, the Company extended the estimated useful lives of certain buildings and leased plant facilities and certain machinery and equipment items as a result of an Internal Revenue Service examination and a review of useful lives. This change resulted in an increase in 1969 net earnings of $170,000.

THE BARDEN CORPORATION

Notes to Financial Statements

Note B: Depreciation and amortization of fixed assets ($1,737,937 in 1969 and $1,660,113 in 1968) are provided for by the straight-line or declining balance methods based generally on the estimated useful lives of the assets ranging from 10 to 50 years for buildings and improvements, 4 to 15 years for machinery and equipment and 10 to 20 years or the life of the lease, if shorter, for leasehold improvements.

BEMIS COMPANY, INC.

Funds were provided by:	
Operations:	
Net income	$ 8,547,339
Charges to income for depreciation and amortization	10,140,401
Minority interest	508,331
Increase (decrease) in other long-term debt	3,323,461
Decrease in investment in affiliates	3,084,547
Sundry (net)	197,094
	$25,801,173

Notes to Financial Statements

Note C: Property, Plant and Equipment—The cost of fixed assets is depreciated over their estimated useful lives. Substantially all new assets acquired after 1953 are depreciated by the 200% declining balance method. Used assets acquired after 1953, all assets acquired prior to 1954, and all leasehold improvements are depreciated by either the 150% declining balance method or the straight line method. Maintenance and repairs are charged to expense as incurred.

Depreciation expense and maintenance and repair costs are claimed for federal income taxes in exactly the same manner as they are recorded in the books. Accordingly, there is no deferred federal income tax resulting from accounting for fixed assets.

COLONIAL SAND & STONE CO., INC.

Costs and Expenses:	
Cost of products sold, except for depreciation and depletion	$29,149,230
Operating expenses	21,709,658
Selling, administrative and general expenses	3,595,226
Interest	618,674
Depreciation and depletion	3,843,027
	$58,915,815

Notes to Financial Statements

Note 1: Property, Plant and Equipment; Depreciation—The major classes of property, plant and equipment comprised the following:

Land and rights	$ 4,593,275
Stone and cement plans	17,676,545
Delivery equipment	18,929,367
Scows, barges and tugboats	13,775,689
Machinery, equipment, buildings,etc	13,009,162
Construction in progress	1,367,882
Totals	$69,351,920

Depreciation provisions, for accounting and income tax purposes, are computed generally by the straight-line method for assets acquired before 1954 and by the double declining balance method for assets acquired thereafter and placed into service.

GRUMMAN CORPORATION
Notes to Financial Statements

Note 3: Depreciation and amortization for 1969 and 1968 amounted to $21,298,364 and $17,385,269, respectively. The declining-balance depreciation method is applied to new properties acquired since January 1, 1954, except for automotive equipment, which, together with older properties, is depreciated on the straight-line basis.

SCOVILL MANUFACTURING COMPANY
Notes to Financial Statements

Note J: Provisions for depreciation of property, plant and equipment, computed generally on the declining balance method for additions from 1954 through 1967 and the straight line method for all other items, amounted to $10,031,000 for 1968 and $11,813,000 for 1969.

Sum-of-the-Years-Digits Depreciation

ANHEUSER-BUSCH, INCORPORATED
Notes to Consolidated Financial Statements

Note 5: Depreciation—The provision for depreciation amounted to $30,063,000 in 1969 and $27,578,000 in 1968. Depreciation is computed principally on the sum-of-the-years-digits method for property acquired after December 31, 1953 and on the straight-line method for property acquired prior to that date.

CATERPILLAR TRACTOR CO.

Costs:	(in millions of dollars)
Inventories brought forward from previous year	$ 488.8
Materials, supplies, services purchased, etc.	1,068.2
Wages, salaries and contributions for employee benefits	652.9
Depreciation (portion of original cost of buildings, machinery and equipment allocated to operations)	95.9
Interest on borrowed funds	26.6
U. S. and foreign income taxes	126.7
	2,459.1
Deduct: Inventories carried forward to following year	599.0
Costs allocated to year	$1,860.1

Notes to Financial Statements

Note 5: Basis of Allocating Costs 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 plant assets currently in use were acquired over many years at price levels which were lower than current price levels. The portion of the original cost of these assets allocated to each year and used in determining profit was, therefore, substantially lower than if a provision had been made on the basis of current replacement price levels. The amount allocated per year for both tax determination and financial reporting purposes is determined principally by the use of the "sum-of-the-years-digits" method and the "guideline" lives established by the U.S. Internal Revenue Service.

HARNISCHFEGER CORPORATION

Costs and Expenses	
Cost of products sold	$117,139,611
Selling, administrative and general expenses	21,232,961
Depreciation of plant and equipment (Note 2)	2,127,849
Interest expense	2,995,422
Provision (credit) for income taxes	(260,000)
	$143,235,843

Note 2: Depreciation—Depreciation of plant and equipment for both financial and tax reporting, is computed by the accelerated method (sum of the years-digits) on all new assets, and by the straight line method on other assets, applied to the cost of the individual items and based on their estimated useful lives.

MONSANTO COMPANY
Financial Review (Page 17)

Depreciation, Obsolescence, Depletion—Charges against income for depreciation, obsolescence and depletion amounted to $163,725,000, of which $159,969,000 was depreciation and obsolescence, and $3,756,000 depletion. In 1968, such charges were $170,-667,000 and $3,601,000.

The use of the sum of the years digits method for computing depreciation on most of new assets acquired since 1954 was continued in 1969. The excess of depreciation provided by this method over straight line depreciation was $17,817,000 in 1969 and $22,925,000 in 1968. For income tax purposes only, the Company in 1962 adopted the guideline lives established for machinery and equipment by the United States Treasury Department. In addition, there are other timing differences which affect taxable income and enter into the determination of pretax accounting income in different periods. Net income is not affected by such differences since an amount equivalent to their tax effect is either charged or credited, as the case may be, to income through the provision for deferred taxes.

Units of Production

CURTISS-WRIGHT CORPORATION
Notes to Financial Statements

Note 7: Depreciation—The Corporation follows the policy of providing for depreciation and amortization of property, plant and equipment by charges to income on the straight-line, unit of production, sum-of-the-years digits or declining-balance methods, based upon the estimated useful lives of the respective properties. Depreciation and amortization charged to costs and expenses amounted to $8,539,000 and $6,379,000 in 1969 and 1968, respectively.

HERCULES INCORPORATED

Net Sales and Operating Revenues	$745,990,654
Cost of goods sold and operating expenses	543,698,386
Selling, general, and administrative expenses (Includes research expenses: 1969—$23,230,952)	109,167,616
	652,866,002
Profit from Operations (After depreciation and amortization: 1969—$51,329,198)	$ 93,124,652

Notes to Financial Statements

Note 2: Depreciation and Amortization Policy—For financial accounting purposes Hercules depreciates the major portion of its processing facilities on the units-of-production method. The remaining facilities of Hercules and the facilities of the consolidated subsidiaries are depreciated or amortized principally on the straight-line method.

MARATHON OIL COMPANY

Costs and Expenses	
Purchased crude oil, petroleum products and merchandise	$458,495,000
Operating, selling and general expenses	184,977,000
Taxes, including taxes on income	105,745,000
Depletion and depreciation	58,233,000
Lease amortization	3,946,000
Exploration, lease rentals and nonproductive well costs	15,771,000
Interest and debt expense	18,981,000
Total Costs and Expenses	$846,148,000

Notes to Consolidated Financial Statements

Note C: Property, Plant and Equipment—Major classes of property, plant and equipment are as follows:

	December 31 1969	1968
	(Thousands)	
Production	$ 871,386	$ 776,194
Refining	334,986	264,576
Marketing	177,425	153,213
Pipeline	116,260	114,511
General	41,191	40,126
Totals	$1,541,248	$1,348,620

Depletion and depreciation of producing properties are computed at rates applied to the units of production on the basis of estimated recoverable oil and gas as determined by geologists and engineers of the Company. The costs of certain undeveloped properties are amortized over projected holding periods. Costs of refining plants in North America are depreciated by the declining-balance method. Other items of property, plant and equipment are depreciated principally by the straight-line method.

TEXACO INC.

Deductions:	
Costs and operating expenses	$3,974,753,000
Selling, general and administrative expenses	566,591,000
Dry hole costs	50,462,000
Depreciation, depletion, and amortization (Note 3)	345,264,000
Interest charges	74,276,000
Taxes other than income taxes	191,002,000
Provision for income taxes—current	183,050,000
—deferred	103,045,000
Minority interests in net income	7,100,000
	$5,495,543,000

Note 3: Depreciation, Depletion, and Amortization—Depreciation, depletion, and amortization of properties, plant, and equipment related to exploration and producing activities are determined on the unit-of-production basis by applying the ratio of produced oil and gas to estimated recoverable oil and gas reserves. With respect to exploration activities, the Company capitalizes lease acquisition costs and costs related to the exploration for and development of oil and gas reserves, with the principal exceptions of expenditures in the United States for lease rentals and for intangible drilling costs applicable to dry holes. As a result, finding and development costs are allocated to the periods in which revenue is recognized as the oil and gas reserves are produced and sold.

For operations other than exploration and producing, depreciation is provided generally on the group plan with depreciation rates based upon estimated useful life applied to the cost of each class of property.

Other Depreciation Methods

THE HOOVER COMPANY

Deductions:	
Manufacturing costs	$183,537,694
Merchandising, general, and administrative expenses	75,942,531
Depreciation charges—Note B	8,097,516
Other charges	3,167,778
	$270,745,519

Note B: Depreciation—The Company provides, in general, maximum depreciation (by the declining balance method in the early years and by the straight-line method thereafter) for facilities acquired by the Company subsequent to January 1, 1962, plus certain additions to buildings, machinery and equipment during 1961. For other facilities of the Company and for facilities of its subsidiaries, depreciation is provided generally by the straight-line method. Major tooling costs are depreciated based on estimated production not to exceed a period of three years.

AIR PRODUCTS AND CHEMICALS INC.

Costs and Expenses	
Cost of sales (excluding depreciation of $14,358,000 in 1969)	$106,024,000
Selling, distribution, administrative, research and development expenses, excluding depreciation	66,164,000
Depreciation (Note 2)	18,730,000
Interest expense (after deduction of $499,000 in 1969 capitalized during construction of major generating facilities)	7,336,000
	$198,254,000

Note 2 (in part): Taxes and Depreciation—For book purposes, annual depreciation is provided over the estimated useful lives of the applicable assets using the sinking fund method for pledged generating facilities and principally the straight line method for other assets. For United States income tax purposes, the Company uses accelerated methods and guideline lives established by the Treasury Department. Accelerated methods are generally used for foreign income tax reporting. Income taxes applicable to the excess of tax depreciation over book depreciation are provided for as deferred taxes.

Depletion

ALPHA PORTLAND CEMENT COMPANY

Costs and Expenses:	
Cost of sales (other than depreciation and depletion)	$28,691,492
Construction contracts	20,231,572
Freight on shipments	8,413,411
Depreciation and depletion	4,015,226
Selling, general and administrative	5,355,029
Interest	2,045,317
Total costs and expenses	$68,752,047

Notes to Financial Statements

Note D: Property—The major classes of property are as follows:

	December 31 1969	1968
Gross (substantially at cost):		
Land, quarries, etc.	$ 8,542,817	$ 8,334,271
Cement plants and equipment	101,126,798	102,877,091
Construction equipment (pledged in part as collateral to equipment notes)	2,401,616	1,780,554
Other	2,749,320	2,764,859
Total	114,820,551	115,756,775
Less accumulated depreciation and depletion	55,302,054	53,300,424
Property—net	$ 59,518,497	$ 62,456,351

The annual rates of depreciation are based on the estimated useful lives of the property. Depreciation on cement plants and equipment is computed using the straight-line method. Construction equipment purchased during 1969 and in the future will be depreciated using the straight-line method. Construction equipment purchased prior to 1969 will continue to be depreciated using the double declining balance method. This change in method had no material effect on the 1969 financial statements. Depletion is based on tonnage of stone mined.

ETHYL CORPORATION

Notes to Financial Statements

Note 13: Depreciation, Depletion and Amortization—Depreciation and depletion charged to income amounted to $28,132,000 and $29,753,000 in 1969 and 1968, respectively. Amortization of intangibles and of deferred discount and financing expenses charged to income amounted to $1,430,000 and $1,323,000 in the respective years. Depletion of timberland is provided by charges to income at unit amounts estimated as adequate to apportion the cost of each tract, less residual value of land and young growth, to the cost of timber cut from such tract.

Depreciation Period Disclosed

ADMIRAL CORPORATION
Notes to Financial Statements

Note D: Property, Plant and Equipment—During 1969, depreciation and amortization amounted to $7,257,305.

It is the policy to provide for depreciation of property, plant and equipment on a straight line basis, except that Canadian companies use a diminishing balance method. The annual rates used are as follows:

	Range of Rates	
	Straight Line Method	Diminishing Balance Method
Buildings and building improvements	2% to 13%	4% to 10%
Machinery and equipment	6% to 25% and 50%	20% to 30%

Leasehold improvements are amortized generally over the terms of the related leases, and land improvements over five years. Except for small tools, which are charged to operations when purchased, tools and dies are being amortized over 12 to 30 month periods.

AMERICAN SAINT GOBAIN CORPORATION

Costs and Expenses:

Cost of sales, exclusive of items listed below	$31,480,282
Selling, administrative, and general expenses	4,995,782
Interest	2,421,913
Depreciation (Note 7)	3,729,971
	$42,627,948

Note 7: Property, Plant and Equipment—The Company computes depreciation on the straight-line method for all classes of depreciable assets over their estimated useful lives as follows:

	Useful Life (Years)
Building and improvements	45
Machinery and equipment including furnaces and furnace linings	5-20

Depreciation expense for 1969 and 1968 amounted to $3,729,971 and $3,563,824.

During the year 1969, there were indications of new developments in the float glass process by competitors. If all of these new developments should take place, then the future operations of the Company's plate glass facility might be adversely affected. This could result in charges in the future for unusual obsolescence which could range upward to $9,500,000.

APCO OIL CORPORATION

Costs and Expenses:

Cost of sales and operations	$66,504,793
Selling and general expenses	9,864,868
Income and other taxes	879,089
Interest and debt expense	2,972,456
Depreciation, depletion and amortization	5,497,153
Exploration expense	1,177,262
	$86,895,621

Notes to Financial Statements

Property, Plant and Equipment—A summary of the total investment in property, plant and equipment, at cost, and the net investment after allowance for depreciation, depletion and amortization at December 31, 1969 is as follows:

	Total Investment	Net Investment
Petroleum and minerals	$34,639,510	$28,567,569
Refining	8,810,329	4,469,218
Transportation	2,195,513	854,811
Marketing	19,277,940	14,626,490
Miscellaneous	2,324,417	1,447,120
	$67,247,709	$49,965,208

Depletion of acquisition and development cost of producing oil and gas properties and depreciation of equipment thereon are provided by the unit-of-production method based on engineers' estimates of recoverable oil and gas reserves. The Company's policy is to capitalize and to amortize on a unit-of-production basis the cost of lifting that portion of oil and gas dedicated to production payments. Depreciation of other properties is provided by the straight-line method at rates designed to extinguish the cost over the useful lives of the properties with allowances for salvage values.

The straight line depreciation rates used on various properties are (a) refining 6⅔%; (b) transportation, 3½%-12%; (c) marketing, 5%-20%; (d) miscellaneous, 10%-33-1/3%.

CONTROL DATA CORPORATION

Funds were provided from:

Net earnings	$ 53,336,487
Depreciation of leased and data centers computing systems	34,067,688
Depreciation and amortization of other property, plant and equipment	14,224,625
Amortization of patents and deferred debenture discount and expense	1,208,857
Deferred income taxes	(1,866,107)
Proceeds from non-current portion of equipment financing transactions with affiliated companies	101,435,589
Net proceeds or value assigned upon issuance of common stock	10,797,903
	$213,205,042

Notes to Consolidated Financial Statements

Note 3: Depreciation—Computing systems and related equipment are depreciated by the straight-line method and other property and equipment is generally depreciated by the double-declining-balance method. The principal estimated lives used in computing depreciation are:

Buildings	33-1/3 years
Building improvements	10 years
Machinery and equipment	4 to 8 years
Leased and data centers computing systems	4 years

LOFT CANDY CORPORATION

Cost of sales (exclusive of depreciation and amortization)	$11,011,474
Operating, selling and administrative expenses	8,255,508
Depreciation and amortization (Note B)	357,782
Interest expense	102,380
Total	$19,727,144

Note B: Property, Plant and Equipment—Property, plant and equipment as at June 28, 1969 comprise the following:

		Estimated Useful Life
Land	$ 261,376	
Buildings and improvements	327,144	10 to 30 years
Machinery and equipment	1,869,383	3 to 15 years
Store equipment	423,646	4 to 10 years
Store leasehold improvements	1,042,841	Lesser of 10 years or life of lease
Office furniture and fixtures	159,002	5 and 15 years
Automobiles and trucks	8,783	3 years
Total	$4,092,175	
Less depreciation and amortization	2,044,520	
Net	$2,047,655	

For the fiscal year ended June 28, 1969, the Company adopted the policy of depreciating additions to store equipment acquired subsequent to June 30, 1968 on the straight-line method. Store equipment acquired prior to June 30, 1968 continues to be depreciated substantially on an accelerated method; other assets are depreciated on the straight-line method.

The changes in depreciation policy decreased the net loss for 1969 by approximately $11,000 ($.01 per share).

Tax Depreciation Differs from Depreciation Expense Shown in Financial Statements

BURNDY CORPORATION
Notes to Financial Statements

Note 5: Deferred Income Taxes—Deferred income taxes represent the income tax effect on the difference in depreciation for buildings and machinery and equipment computed on the sum-of-the-years-digits method for tax purposes and the straight-line method for financial reporting purposes.

The provision for federal income taxes during the periods is included in the provision for federal, state, and foreign income taxes as follows:

	1969
Current	$3,524,333
Deferred	350,000
	$3,874,333

DETROIT STEEL CORPORATION
Notes to Consolidated Financial Statements

Federal Income Taxes—Recoverable federal income taxes at December 31, 1969 include, principally, refundable taxes for 1969 and claims for refund for prior years.

Taxable income differs from earnings reported in the financial statements by reason, principally, of (1) the cost of facilities acquired under Certificates of Necessity having become fully amortized for tax purposes whereas depreciation provided thereon in the financial statements is based, on normal service lives, and (2) the use for federal income-tax purposes of accelerated methods of computing depreciation on certain other assets compared with the straight-line method for financial reporting purposes. Depreciation provided in the financial statements for 1969 and 1968 was $474,000 and $523,000 greater, respectively, in the aggregate, than the amounts deducted for income-tax purposes and, accordingly, the net income-tax effects of such differences have been applied in reduction of deferred federal income taxes. Relatively minor timing differences also occur in the deductibility of certain other expenses.

Provisions for federal income taxes for 1969 and 1968, reflect investment credits of $312,000 and $344,000, respectively, and comprise taxes refundable of $1,903,000 for 1969 and taxes payable of $1,418,000 for 1968, before net tax effects ($187,000 for 1969 and $128,000 for 1969) of timing differences.

GRANITEVILLE COMPANY
Notes to Consolidated Financial Statements

Note 3: Property, Plant and Equipment—Property, plant and equipment are summarized by major classifications as follows:

	January 3, 1970
Land	$ 271,223
Buildings	15,580,817
Machinery, Furniture and Equipment	44,123,293
Leasehold Improvements	169,817
Projects in Progress	848,980
	60,994,130
Accumulated Depeciation	26,445,775
	$34,548,355

The above assets are stated at cost, except for land which is stated substantially at cost. It is the policy to eliminate amounts applicable to the asset and related accumulated depreciation on fully depreciated assets, whether retired or continued in service.

Depreciation is provided on fixed assets at various rates based on their estimated useful lives; generally, "Guideline" lives suggested by the Internal Revenue Service. Provision for depreciation for 1969 was $3,573,069.

Note 4: Deferred Taxes—Depreciation for financial statement purposes is generally computed by the straight-line method and for income tax purposes by an accelerated method, where applicable. For the year 1969, the excess of tax depreciation over book depreciation approximated $830,000, with a resultant reduction of approimately $462,000 in income taxes currently payable, and such amount has been provided as an increase in deferred income taxes and a corresponding increase in estimated income tax expense.

SOCIAL AND CHARITABLE EXPENDITURES

Table 3-14 shows the number of survey companies making contributions to programs and institutions designed to benefit society. A significant number of companies (84) reported expenditures for pollution control. Table 3-14 does not reflect these companies.

ALLIED CHEMICAL CORPORATION
Review of Operations

Our program of grants by the Allied Chemical Foundation and the Corporation amounted to $751,000 in 1969. Of this, 48 per cent, or $361,000, was in support of community and charitable activities, including United Fund and hospital contributions; 45 per cent, or $336,000, was in support of education; and 7 per cent, or $54,000, was directed toward helping minority groups and solving urban problems.

THE DOW CHEMICAL COMPANY
Industrial Relations

Dow's aid-to-education program in 1969 exceeded $3 million. Included were scholarships, fellowships, research grants, building materials, equipment and medicines.

CHAS. PFIZER & CO., INC.
Pharmaceuticals

Pfizer Medical Student Grant—Pfizer presented its eighth annual grant to the student loan guarantee program of the American Medical Association's Education and Research Foundation in 1969, bringing the total sum contributed by Pfizer since 1962 to $510,000. In addition, for the past eight years Pfizer has provided a $1,000 scholarship to each medical school in the United States. These scholarships are administered by more than 100 American medical schools and awarded entirely at the discretion of the individual institutions.

THE B. F. GOODRICH COMPANY
Helping Solve Social Problems

B. F. Goodrich—acting on its conviction that the nation's social ills cannot be cured without the strong support of business—intensified its efforts in 1969 to provide for the needy, be a good neighbor and assure equal employment opportunity.

The Company enlarged its financial support for educational institutions, hospitals, farm organizations, youth groups and welfare agencies, to which it has contributed several million dollars since 1952.

It made significant progress in its program to reduce or eliminate air and water pollution, Its chemical division was awarded the nation's first Federal grant for a waste treatment demonstration project at a polyvinyl chloride plant. The funds were applied toward the more than $1 million the Company has spent installing pollution control facilities at its new plant in Pedricktown, N.J.

The tire division launched a new program to develop more managers from minority groups for its retail stores, in cooperation with one of the nation's leading job training organizations for minority group members.

The Company considerably increased the amount of interest-free "seed money" it has loaned since mid-1968 to Akron builders to speed the start of construction of homes for low-income families.

TABLE 3-14: SOCIAL AND CHARITABLE EXPENDITURES

Expenditures for:	1969	1968	1965
Aid to unemployed and related programs	73	N/C	N/C
Assistance to educational institutions	28	23	30
Contributions to charitable foundations	21	21	17
Grants to hospitals, health and other community-related activities	19	12	N/C
Other	8	13	33
Total	149	69	80
Number of Companies			
Mentioning social and charitable expenditures	109	49	58
Not mentioning such expenditures	491	551	542
Total	600	600	600

N/C—Not compiled.

MARCOR INC.
Wards Expands Programs Benefiting Minority Groups

The company continues to hire and train previously unemployed persons under the Federal MA-3 program. It is extending its efforts to sign contracts with service and supply sources owned by minority groups, and in 1969 established the first black-owned catalog sales agency in Chicago. Wards was a major sponsor and leader of the 1969 Chicago Business Opportunity Fair, which provided some 4,500 contacts between minority-owned suppliers and 150 major Chicago companies and, in 1970, will provide primary leadership for this program. The West Coast merchandising coordinator was chairman of a similar trade fair in Los Angeles in 1969. During the year, Wards introduced a pilot program with the National Welfare Rights Organization to provide 3,000 welfare recipients with up to $100 of credit for merchandise and services.

Aid to education, welfare, charities topped $1 million in 1969

Management also began a program of financial aid for education in 1969 by financing National Merit Scholarships for employees' children, the matching of employee gifts to colleges and universities, and provision for financial contributions to more than 500 independent colleges and universities. In 1969, Montgomery Ward contributions exceeded one million dollars for civic, charitable, health and educational organizations.

UNION CARBIDE CORPORATION
Review of 1969 Worldwide Operations

Public Affairs—Union Carbide continued to manifest its concern for its responsibilities as a citizen in a number of ways during 1969. The Corporation has a policy of encouraging employee involvement in the improvement and enrichment of their communities, and a large number of Union Carbide people are participating in such activities.

High among the Corporation's concerns in the public area is its interest in education. During 1969, the Urban Affairs Department continued its active sponsorship of a street academy for school dropouts in the Bedford-Stuyvesant section of Brooklyn, New York, and the Union Carbide academy won recognition late in the year as an example of this program at its best. This Department also arranged for the contribution of a chemistry laboratory to Harlem Preparatory School, a privately funded school that prepares candidates from the street academy program for admission to college.

Union Carbide continued to maintain close liaison with the academic world in 1969, and also made grants to a number of science and engineering departments at universities.

INCOME TAXES

Table 3-15 shows the various descriptive captions used in the income statements of the survey companies to identify the provision for *federal income taxes*. Seventeen companies did not show a provision for income taxes because of either an operating loss carry-forward or a current year operating loss. Table 3-16 shows the number of companies which made references to income taxes other than those payable to the United States government.

Examples of income tax captions follow.

Federal Income Taxes

ARMCO STEEL CORPORATION
Costs and Expenses

	(Dollars in Thousands)
Cost of products sold	$1,291,788
Selling, general, and administrative expenses	130,759
Interest and expense on long-term debt	16,364
Sundry other charges—net	1,501
Federal, state and foreign income taxes, less investment tax credit of $18,638 for 1969 (Note 5)	47,804
Total	$1,488,216

Note 5 (in part): *Income Taxes*—The provision for income taxes consists of:

Current	
Federal—net	$22,208,000
State and foreign	11,930,000
Total	34,138,000
Deferred—net	13,666,000
Total	$47,804,000

MWA COMPANY

Earnings Before Income Taxes	$887,736
Income taxes—Note B:	
Federal	418,000
State	30,000
	448,000
Net Earnings	$439,736

Note B: Income Taxes—The provision for federal income taxes reflects investment tax credits of approximately $18,000 in each year. The provision for 1969 consists of taxes payable of $393,000 plus $25,000 representing the net tax effect of transactions that are included in different periods for financial and tax reporting purposes.

TABLE 3-15: FEDERAL INCOME TAXES

	Description in Income Statement*	1969
A:	Federal income taxes	256
B:	Income taxes	254
C:	U.S. income taxes	73
	No provision for federal income taxes	17
	Total	600

* Refer to Company Appendix Section—A: 16, 130, 465; B: 122, 428, 488; C: 52, 100, 367.

Income Taxes

PHELPS DODGE CORPORATION

Cost and expenses exclusive of items shown below	$507,150,996
Selling and general administrative expenses	26,576,036
Depreciation, depletion and amortization	21,022,700
Interest expense	4,757,625
Provision for taxes on income:	
Current, net of investment credit of $6,600,000	37,900,000
Deferred	4,800,000
	$602,207,357

U.S. Income Taxes

CHEMETRON CORPORATION

Earnings of consolidated domestic companies before United States income taxes	$18,459,027
Provision for United States income taxes:	
Current	7,135,000
Deferred	1,569,000
Total	8,704,000
Net earnings of consolidated domestic companies before extraordinary items	$ 9,755,027

FLINTKOTE COMPANY

Income before federal and foreign taxes on income	$19,693,471
Federal and foreign taxes on income:	
Currently payable:	
United States	5,653,114
Foreign	432,965
Deferred taxes and investment tax credit, net	1,918,111
	8,004,190
Net income	$11,689,281

TABLE 3-16: OTHER INCOME TAXES

Type of Tax*	Combined with federal	Shown separately	Total
A: Foreign income taxes	131	16	147
B: State and/or local income taxes	47	22	69
C: State and foreign income taxes	33	10	43
D: Other	18	11	29
Total	229	59	288

Number of Companies	
Referring to other income taxes	270
Not referring to other income taxes	330
Total	600

* Refer to Company Appendix Section—A: 33, 220, 331, 705; B: 147, 440; C: 253, 402; D: 265, 553.

Income Tax Credit

GENERAL DYNAMICS CORPORATION

	(*Dollars in Thousands*)
Cost and Expenses	
Cost of sales	$2,502,835
Interest	16,758
Income taxes (Note 6)	
Provision (credit) for income taxes before investment tax credit	(10,159)
Investment tax credit	(4,176)
Minority interest in net income of subsidiary	2,745
	$2,508,003

Note 6: Income Taxes—The income tax provision or credit is computed at current rates on reported results and is adjusted for benefits derived from percentage depletion on mining properties as follows:

Income (loss) before taxes	$(11,804,000)
Tax Provision (Credit)	$ (6,022,000)
Depletion Credit	(4,137,000)
Provision (Credit) for taxes before Investment Tax Credit	$(10,159,000)

Investment tax credits are reflected in income in the year the related property is placed in service.

Deferred income taxes are applicable primarily to mineral exploration and development costs deducted for tax purposes but not for financial reporting.

United States income tax returns of the Corporation are subject to review by the Internal Revenue Service for all years subsequent to 1964.

INTERPERIOD TAX ALLOCATION

In December 1967, the Accounting Principles Board of the American Institute of Certified Public Accountants issued *Opinion No. 11—Accounting for Income Taxes,* from which the following excerpts are quoted

13. Terminology relating to the accounting for income taxes is varied; some terms have been used with different meanings. Definitions of certain terms used in this Opinion are therefore necessary.

a. *Income taxes.* Taxes based on income determined under provisions of the United State Internal Revenue Code and foreign, state and other taxes (including franchise taxes) based on income.

b. *Income tax expense.* The amount of income taxes (whether or not currently payable or refundable) allocable to a point in the determination of net income.

. . . .

e. *Timing differences.* Differences between the periods in which transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income. Timing differences originate in one period and reverse or "turn around" in one or more subsequent periods. Some timing differences reduce income taxes that would otherwise be payable currently; others increase income taxes that would otherwise be payable currently.

. . . .

h. *Deferred taxes.* Tax effects which are deferred for allocation to income tax expense of future periods.

i. *Interperiod tax allocation.* The process of apportioning income taxes among periods.

j. *Tax allocation within a period.* The process of apportioning income tax expense applicable to a given period between income before extraordinary items and extraordinary items, and of associating the income tax effects of adjustments of prior periods (or of the opening balance of retained earnings) and direct entries to other stockholders' equity accounts with these items.

14. Certain general concepts and assumptions are recognized by the Board to be relevant in considering the problems of accounting for income taxes.

a. The operations of an entity subject to income taxes are expected to continue on a going concern basis, in the absence of evidence to the contrary, and income taxes are expected to continue to be assessed in the future.

b. Income taxes are an expense of business enterprises earning income subject to tax.

c. Accounting for income tax expense requires measurement and identification with the appropriate time period and therefore involves accrual, deferral and estimation concepts in the same manner as these concepts are applied in the measurement and time period identification of other expenses.

d. Matching is one of the basic processes of income determination; essentially it is a process of determining relationships between costs (including reductions of costs) and (1) specific revenues or (2) specific accounting periods. Expenses of the current period consist of those costs which are identified with the revenues of the current period and those costs which are identified with the current period on some basis other than revenue. Costs identifiable with future revenues or otherwise identifiable with future periods should be deferred to those future periods. When a cost cannot be related to future revenues or to future periods on some basis other than revenues, or it cannot reasonably be expected to be recovered from future revenues, it becomes, by necessity, an expense of the current period (or of a prior period).

15. Four types of transactions are identifiable which give rise to timing differences; that is, differences between the periods in which the transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income. Each timing difference originates in one period and reverses in one or more subsequent periods.

a. Revenues or gains are included in taxable income later than they are included in pretax accounting income. For example, gross profits on installment sales are recognized for accounting purposes in the period of sale but are reported for tax purposes in the period the installments are collected.

b. Expenses or losses are deducted in determining taxable income later than they are deducted in determining pretax accounting income. For example, estimated costs of guarantees and of product warranty contracts are recognized for accounting purposes in the current period but are reported for tax purposes in the period paid or in which the liability becomes fixed.

c. Revenues or gains are included in taxable income earlier than they are included in pretax accounting income. For example, rents collected in advance are reported for tax purposes in the period in which they are received but are deferred for accounting purposes until later periods when they are earned.

d. Expenses or losses are deducted in determining taxable income earlier than they are deducted in determining pretax accounting income. For example, depreciation is reported on an accelerated basis for tax purposes but is reported on a straight-line basis for accounting purposes.

. . . .

19. Interperiod tax allocation under the *deferred method* is a procedure whereby the tax effects of current timing differences are deferred currently and allocated to income tax expense of future periods when the timing differences reverse. The deferred method emphasizes the tax effects of timing differences on income of the period in which the differences originate. The deferred taxes are determined on the basis of the tax rates in effect at the time the timing differences originate and are not adjusted for subsequent changes in tax rates or to reflect the imposition of new taxes. The tax effects of transactions which reduce taxes currently payable are treated as deferred credits; the tax effects of transactions which increase taxes currently payable are treated as deferred charges. Amortization of these deferred taxes to income tax expense in future periods is based upon the nature of the transactions producing the tax effects and upon the manner in which these transactions enter into the determination of pretax accounting income in relation to taxable income.

. . . .

34. The Board has considered the various concepts of accounting for income taxes and has concluded that comprehensive interperiod tax allocation is an integral part of the determination of income tax expense. Therefore, income tax expense should include the tax effects of revenue and expense transactions included in the determination of pretax accounting income. The tax effects of those transactions which enter into the determination of pretax accounting income either earlier or later than they become determinants of taxable income should be recognized in the periods in which the differences between pretax accounting income and taxable income arise and in the periods in which the differences reverse. Since permanent differences do not affect other periods, interperiod tax allocation is not appropriate to account for such differences.

35. The Board has concluded that the deferred method of tax allocation should be followed since it provides the most useful and practical approach to interperiod tax allocation and the presentation of income taxes in financial statements.

36. The tax effect of a timing difference should be measured by the differential between income taxes computed with and without inclusion of the transaction creating the difference between taxable income and pretax accounting income. The resulting income tax expense for the period includes the tax effects of transactions entering into the determination of results of operations for the period. The resulting

deferred tax amounts reflect the tax effects which will reverse in future periods. The measurement of income tax expense becomes thereby a consistent and integral part of the process of matching revenues and expenses in the determination of results of operations.

. . . .

Balance Sheet

56. Balance sheet accounts related to tax allocation are of two types:
a. Deferred charges and deferred credits relating to timing differences; and
b. Refunds of past taxes or offsets to future taxes arising from the recognition of tax effects of carry*backs* and carry*forwards* of operating losses and similar items.

57. Deferred charges and deferred credits relating to timing differences represent the cumulative recognition given to their tax effects and as such do not represent receivables or payables in the usual sense. They should be classified in two categories—one for the net current amount and the other for the net noncurrent amount. This presentation is consistent with the customary distinction between current and noncurrent categories and also recognizes the close relationship among the various deferred tax accounts, all of which bear on the determination of income tax expense. The current portions of such deferred charges and credits should be those amounts which relate to assets and liabilities classified as current. Thus, if installment receivables are a current asset, the deferred credits representing the tax effects of uncollected installment sales should be a current item; if an estimated provision for warranties is a current liability, the deferred charge representing the tax effect of such provision should be a current item.

. . . .

59. Deferred taxes represent tax effects recognized in the determination of income tax expense in current and prior periods, and they should, therefore, be excluded from retained earnings or from any other account in the stockholders' equity section of the balance sheet.

Income Statement

60. In reporting the results of operations the components of income tax expense for the period should be disclosed, for example:
a. Taxes estimated to be payable
b. Tax effects of timing differences
c. Tax effects of operating losses.
These amounts should be allocated to (a) income before extraordinary items and (b) extraordinary items and may be presented as separate items in the income statement or, alternatively, as combined amounts with disclosure of the components parenthetically or in a note to the financial statements.

61. When the tax benefit of an operating loss carry*forward* is realized in full or in part in a subsequent period, and has not been previously recognized in the loss period, the tax benefit should be reported as an extraordinary item in the results of operations of the period in which realized.
[See Table 3-28.]
62. Tax effects attributable to adjustments of prior periods (or of the opening balance of retained earnings) and direct entries to other stockholders' equity accounts should be presented as adjustments of such items with disclosure of the amounts of the tax effects.

63. Certain other disclosures should be made. . . . The Board recommends that the nature of significant differences between pretax accounting income and taxable income be disclosed.

As indicated in Table 3-17, most of the survey companies reporting interperiod tax allocations disclose the reasons for and the amount of the current year provision. Table 3-18 shows the manner in which interperiod tax allocations are shown in the balance sheet.

Examples of interperiod tax allocation disclosures are presented below.

Current Year Allocation—Income Statement

CLUETT, PEABODY & CO., INC.

Income before Income Taxes	$30,390,029
United States, State and Foreign Income Taxes (including deferred: 1969—$850,000)	13,166,000
Net Income	$17,224,029

Financial Review (Page 21)

Taxes: Total taxes—including income, franchise and personal property taxes, but not social security—amounted to $15,684,000 for 1969 equivalent to $1.85 per average common share, compared with $19,213,000 or $2.35 per average common share in 1968. Provision for income taxes—federal, state and foreign—was $13,166,000 equivalent to $1.56 per average common share, compared to the 1968 provision of $16,695,000 or $2.04 per average common share. Provisions include approximately $1,124,000 and $1,375,000 respectively representing the 10% surcharge. Application of the investment credit reduced the Company's provisions for 1969 current taxes by $274,000 compared with $283,000 in 1968.
A portion of income in 1969 and 1968 arises from operations of certain subsidiaries in Puerto Rico which have been granted exemptions from Puerto Rican income taxes.
Deferred income taxes represent future tax effects of items reported for tax purposes in periods different than for book purposes. Such items include income on retail instalment sales, certain inventory costs, and provisions for depreciation, deferred compensation awards and foreign operations.

Current Year Allocation—Notes to Financial Statements

AMSTED INDUSTRIES INCORPORATED
Notes to Consolidated Financial Statements

Income Taxes: The provision for taxes on income for 1969 and 1968 is detailed as follows:

	1969	1968
Current taxes, less investment tax credit of $692,000 in 1969 and $482,000 in 1968	$ 9,835,000	$9,700,000
Deferred taxes, resulting from excess of tax depreciation over financial depreciation	465,000	—
Provision for taxes on income	$10,300,000	$9,700,000

The consolidated statement of financial position for 1968 has been restated to conform with current accounting practices relating to the classification of income taxes.

ARMOUR AND COMPANY
Notes to Financial Statements

Note 9: Provision for Federal Income Taxes—The Company's provision for Federal income taxes comprised the following for the fiscal years ended November 1, 1969 and November 2, 1968:

	1969	1968
	(thousands)	
Current taxes less investment tax credits of $1,885 in 1969 and $905 in 1968	$ 19,953	$ 11,795
Deferred taxes on difference between financial and tax income, arising from depreciation and certain lease expenses	980	165
Amounts equivalent to reduction in Federal income tax in respect of:		
a) net losses on sales of investments (Note 3)	767	–
b) losses and expenses in closing of facilities charged to reserve previously provided therefor	256	4,981
c) losses and expenses on sale of domestic agricultural chemical business, other than amounts included in (b) above, less deferred taxes previously provided	–	4,530
d) settlement of certain liabilities which arose prior to the date of the BLH merger (Note 5) charged to deferred credit arising from merger	69	199
	$ 22,025	$ 21,670

The investment tax credit for 1969 has been based upon legislation which eliminated the credit as of April 18, 1969.

The Company's provision for Federal income taxes, as a percentage of pre-tax earnings, is lower than customary effective rates due primarily to investment tax credits, the non-taxable credits arising from the BLH acquisition (Note 5) and in 1968 percentage depletion allowances arising from the Company's agricultural chemical business.

CONTROL DATA CORPORATION
Notes to Consolidated Financial Statements

Note 4: Income Taxes—The Company provides for deferred income taxes on all significant timing differences between pre-tax accounting and taxable income. For income tax purposes, costs relating to acquisition of leases are charged off as incurred, depreciation on computing systems is computed by an accelerated method, revenues from installment sales are recognized as collections are made, revenues from non-cancellable long-term leases are recognized over the lives of the leases, costs of equipment with respect to which lease rights have been sold are deducted as depreciation over the lives of the assets and certain other expense provisions are excluded as deductions. Deferred taxes are reduced by income taxes paid on reportable income related to unrealized intercompany profits on sales of equipment to subsidiaries for foreign rental. The provision for deferred income tax expense (credit) was ($1,523,342) and $7,445,055 for 1969 and 1968 respectively. Income tax expense also includes charges $2,157,825 for 1969 and $303,478 for 1968, representing the tax effect of losses or expenses of certain foreign subsidiaries deducted from income for accounting purposes in prior years but for tax purposes in the current year.

SIMKINS INDUSTRIES, INC.

Note 6: Deferred Income Taxes—Federal income taxes payable at a later date are shown as "Deferred Income Taxes" on the Balance Sheet. The balance in this account arises from product development costs, preoperating costs and the excess of tax over book depreciation. The "Provision for Income Taxes" includes deferred taxes of $294,798.

TABLE 3-17: INTERPERIOD TAX ALLOCATION

Reasons for Allocation	1969	1968	1967
Depreciation	335	305	233
Deferred expenses	101	60	21
Installment sales	54	41	29
Pensions	26	21	6
Deferred income	31		
Inventory pricing	12	70	37
Other	57		
Total	616	497	326
Number of Companies			
Disclosing reasons for allocation	385	353	265
Not disclosing reasons	135	138	148
Not reporting tax allocation	80	109	187
Total	600	600	600
Amount of Current Year Allocation Disclosed			
Within income statement	200	177	N/C
In notes to financial statements	193	122	N/C
Other	25	15	N/C
Subtotal	418	314	167
Amount of current year allocation not disclosed	102	177	246
No indication of allocation	80	109	187
Total	600	600	600

N/C—Not compiled.

Current Year Allocation—Funds Statement

AMERICAN CYANAMID COMPANY

Source of Funds:	
Net earnings	$ 89,870,096
Charges to earnings not requiring current cash outlays:	
Depreciation, amortization and depletion	54,834,159
Income taxes payable in the future	2,700,000
Decrease (increase) in cash and marketable securities	42,013,682
Decrease (increase) in prepaid expenses and deferred charges	834,789
Increase in current liabilities	1,855,053
Increase (decrease) in funded debt not due within one year	13,784,278
	$205,892,057

THE HOBART MANUFACTURING COMPANY

Source of Funds:	
From operations:	
Income	$13,102,208
Depreciation	2,935,653
From deferred income taxes	83,757
Funds from operations	16,121,618
From long-term liabilities	9,139,567
Exercise of stock options	402,800
Total	$25,663,985

Balance Sheet Classification—Noncurrent Liability

AIR REDUCTION COMPANY, INCORPORATED

Total Current Liabilities	$ 54,965,000
Long-Term Debt (less currently maturing portion)	$179,328,000
Deferred Income Taxes (Note G)	$ 59,695,000

Note G: Federal and Foreign Taxes on Income—The Company's provision for Federal and foreign income taxes includes provision for deferred income taxes in the amount of $7,128,000 in 1969 and $2,670,000 in 1968 equivalent to net reductions attributable principally to the use of liberalized depreciation and guideline depreciation rates for tax purposes only.

The 1969 and 1968 provisions for Federal income taxes have been reduced by investment credits of $2,810,000 and $3,150,000, respectively.

AMERICAN ELECTRONIC LABORATORIES, INC.

Noncurrent Liabilities:	
Mortgages payable, due annually through 1983	$ 1,985,075
Sinking fund debentures	7,552,000
Other long-term debt	313,851
Deferred income tax credits–Note F	167,709
Total Noncurrent Liabilities	$10,018,635

Note F—The deferred income tax cedits result from rapid amortization pursuant to a Necessity Certificate and, since December 1, 1967 from the difference between accelerated and straight-line methods of depreciation being used for tax and financial statement purposes, respectively.

Net operating loss carryovers available to reduce future consolidated taxable income approximate $454,900, and expire November 30, 1974.

Income Taxes (recoverable) consisting of the following:	
Currently payable before investment credits	$ 37,421
Currently recoverable	(264,815)
Deferred, net	15,524
Total	($211,870)

TABLE 3-18: BALANCE SHEET PRESENTATION OF INTERPERIOD TAX ALLOCATION

Balance Sheet Classification	1969	1968	1967
Noncurrent liability only	370	366	375
Noncurrent liability and current liability	29	26	13
Noncurrent liability and current asset	26	24	1
Current liability or asset only	36	28	14
Noncurrent asset only	22	36	9
Noncurrent asset and current liability or asset	17	N/C	N/C
Other	20	11	N/C
Number of Companies			
Indicating tax allocation accounting	520	491	412
Not indicating tax allocation accounting	80	109	188
Total	600	600	600

N/C—Not compiled.

INTERNATIONAL MILLING COMPANY INC.

Long-term debt, less amounts included in current liabilities	$32,309,208
Deferred income taxes (Note 5)	2,870,869
Reserves for employee benefits and other purposes	2,241,131
Minority interests in subsidiaries	142,037

Note 5: Income Taxes—Income tax expense consists of $2,975,959 currently payable and $599,141 deferred for the tax effects of timing differences arising primarily from the excess of depreciation charges claimed on accelerated methods for tax purposes over amounts charged on a straight-line basis for accounting purposes.

MELVILLE SHOE CORPORATION

Long-term debt:	
4⅞% Debentures, due 1980 (annual sinking fund requirement $600,000)	$ 7,200,000
3½% Promissory Note, due 1984, payable in quarterly installments	1,773,000
9¼% Mortgage Notes, due 1989, payable in monthly installments	1,167,846
	$10,140,846
Deferred credit	$ 919,957
Deferred Federal income taxes (Note 3)	987,582
Lease obligations for closed stores	1,409,264
Minority interests in subsidiaries	1,984,648

Note 3: Federal Income Taxes—(a) Certain charges to income differ in amount from those recorded in tax returns. These differences arise from (a) use of the straight-line method of depreciation as contrasted with use of an accelerated method for tax purposes and (b) accrual of lease obligations to end of lease terms of closed stores which for tax purposes are deducted as paid. The provision for Federal income taxes charged to earnings includes the net tax effect of such differences, which charges approximated $429,000 in 1969 and $75,000 in 1968. The cumulative net deferred Federal income taxes resulting from such differences are attributable to accelerated depreciation, $1,731,673 (deferred credit) and accrual of lease obligations on closed stores, $744,091 (deferred charge).

(b) In connection with an examination of tax returns of the company and its subsidiaries for the years 1964, 1965 and 1966, the Internal Revenue Service in 1969 questioned the claiming of separate surtax exemptions for the subsidiary companies. Separate surtax exemptions have been accepted by the Service for all years prior to 1964 and, in the opinion of the company, they are allowable under the then existing legislation; accordingly, it intends to contest any disallowance. Pursuant to the Tax Reform Act of 1969, multiple surtax exemptions for controlled groups are to be phased out over a six-year transitional period commencing in 1970. If consolidated tax returns had been filed for 1969 and 1968, the approximate reduction in earnings per share would have been $.50 and $.46, respectively.

POTLATCH FORESTS, INC.

Long-term debt, less current installments	$78,111,854
Deferred taxes on income (note 5)	13,005,601

Note 5: Taxes on Income—The 1964 and 1965 Federal income tax returns of the parent company and consolidated subsidiaries are presently being examined by the Internal Revenue Service. It is believed that adequate provision has been made for any additional assessments that may result from this examination.

Deferred taxes on income result principally from deducting depreciation allowances for Federal tax purposes in amounts greater than the allowances determined on the straight-line method used for financial reporting purposes. The greater amount of depreciation for tax purposes reflects use of Internal Revenue Service guideline lives and permissible accelerated depreciation methods applied to certain assets.

The 1969 provision for taxes on income in the consolidated statement of earnings includes $6,184,000 for taxes currently payable and $1,009,000 (net) deferred by reason of timing differences between financial and tax reporting ($1,649,000 deferred in 1968).

Investment tax credit of $664,000 for 1969 and $1,101,000 for 1968 has been included in the consolidated statement of earnings as a reduction of current Federal taxes.

THE STANDARD REGISTER COMPANY

Long-Term Debt

Notes payable, Northwestern Mutual Life Insurance Co., 5.9%, due in annual installments of $800,000	$ 8,800,000
Notes payable, banks, 9%, due in annual installments of $600,000	2,400,000
Total long-term debt	$11,200,000

Deferred Taxes (Note 4)

Federal income tax	$ 1,350,184
Investment tax credit	939,011
Total deferred taxes	$ 2,289,195

Note 4: Deferred Taxes—Since the inception of the investment tax credit in 1962, the Company has consistently included it in net income over the productive lives of the related equipment rather than reporting it currently as net income in the year it is claimed for tax purposes. This preferred treatment has provided deferred credits of $939,011 at January 4, 1970, which will enhance future earnings even though Congress revoked the investment tax credit provision effective April 18, 1969.

In 1964 an accelerated method of depreciation was adopted for tax purposes while the straight-line method continued to be used in the determination of net income in the financial statements. Consequently, the federal income tax on the aggregate difference between these amounts has been recognized as a deferred liability of $1,393,323 at the year end. Partially offsetting this is $43,139 in prepaid federal income tax applicable to certain estimated expenses which have been deducted from financial net income but have not been deducted for tax purposes.

The net effect of these deferrals is a charge against income in 1969 of $272,883 as additional federal income tax expense.

FAS INTERNATIONAL, INC.

Current Liabilities

Notes payable—Banks	$ 5,161,852
Current portion of long-term debt	217,881
Accounts payable	5,639,701
Accrued salaries, commissions and tutorial costs	5,667,058
Accrued taxes—Current	1,723,431
—Deferred (Note 2)	9,196,784
	$27,606,707

Other Liabilities

Long-term debt	$27,396,073
Accrued retirement, disability and death benefits	895,246
Deferred Federal incomes taxes (Notes 2 and 3)	205,169
	28,496,488

Note 2: Accounting Procedures—For financial statement purposes revenue and expenses are recorded on the accrual basis of accounting although for income tax purposes portions of these items may be reported in a different period. The income taxes which will eventually be payable due to these timing differences are charged against current income and included in accrued taxes-deferred at the time revenue and expenses are recorded for financial statement purposes.

The Company substantially has used straight-line depreciation for financial statements. Depreciation expense for the years ended September 30, 1969 and 1968 is $881,062 and $632,344 respectively. On certain of its property and equipment the Company has used accelerated depreciation methods for income tax purposes. The tax credits applicable to the increased depreciation taken for Federal income tax purposes are included on the consolidated balance sheet as deferred Federal income taxes.

The Company and its domestic subsidiaries file a consolidated Federal income tax return. Accordingly the provision for Federal income taxes has been computed on the basis of consolidated return rates.

Note 3: Deferred Charges—Principally include costs incurred in developing, preparing and introducing various courses given by the Company throughout the world. These costs are being charged to income principally on the basis of units sold and will be charged to income over periods of two to six years. For income tax purposes, certain of these costs have been deducted in the year incurred. The Federal income taxes which will eventually become payable due to these timing differences are included on the consolidated balance sheet as deferred Federal income taxes.

Balance Sheet Classification—Noncurrent and Current Liability

ASSOCIATED DRY GOODS CORPORATION

Current Liabilities:

Accounts payable and accrued liabilities	$ 55,896,000
Notes payable	1,000,000
Note and accounts payable to Associated Dry Goods Credit Corporation	12,329,000
Dividends payable	3,619,000
Federal income taxes (Note E)	28,162,000
Long-term debt due within one year	7,435,000
Total Current Liabilities	$108,441,000
Mortgages, Notes and Debentures	$ 69,819,000
Subordinated Note	9,400,000
Deferred Federal Income Taxes (Note E)	7,218,000

Note E: Federal Income Tax Provisions for the fiscal years 1969 and 1968 include deferred taxes of $2,943,000 and $3,056,000 respectively. Such deferred Federal income taxes result from the use, for tax purposes, of accelerated depreciation methods and of the instalment method of accounting for deferred payment sales reduced by the future tax benefits of contingent compensation. Federal income taxes at January 31, 1970, and February 1, 1969, amounting to $16,261,000 and $14,535,000 respectively, arising from the instalment method of accounting for deferred payment sales, are included in current liabilities as deferred federal income taxes.

TEXAS GULF SULPHUR COMPANY

Current Liabilities

Current portion of non-current notes payable	$14,115,293
Accounts payable and accrued liabilities	23,474,159
Income taxes payable	5,373,355
Other taxes payable	1,423,982
Deferred income taxes applicable to current assets	6,316,956
Total Current Liabilities	$50,703,745
Deferred Income Taxes	$63,686,945

Notes to Consolidated Financial Statements

Note 3 (in part): The Company has deferred to future periods the income tax effect resulting from timing differences between financial-statement pretax income and taxable income. The deferred tax pertains principally to depreciable plant and equipment, development costs incurred on several properties, advance net profits payments related to the Utah potash property, and taxes and royalties included in inventories.

SPARTANS INDUSTRIES, INC.

Current Liabilities:	
Notes payable—banks	$ 43,000,000
Long-term notes payable (current portion)	3,480,000
Accounts payable	102,994,029
Accrued taxes and expenses	34,893,268
Income taxes (Notes C and K):	
Currently payable	11,095,673
Deferred	6,257,000
Mortgages and other debt payable on properties (current portion)	3,952,759
Total Current Liabilities	$205,672,729
Total long-term debt	$236,019,000
Deferred income taxes (Note E)	$ 7,151,000

Note C: Receivables—Sales and profits arising under the Korvette division revolving credit plan are reported, for financial accounting purposes, at the time such sales are made. The profits on such sales are reported, for income tax purposes, on the installment basis; income taxes thus deferred are included in current liabilities.

Note E (in part): *Property, Equipment and Improvements*—Depreciation for federal income tax purposes is computed for accelerated rates permitted by the Internal Revenue Code; for financial accounting purposes, the straight line method of depreciation is used. Income taxes thus deferred are charged to operations on the consolidated statement of operations and reflected as non-current deferred income taxes on the consolidated balance sheet.

Note K: Income Taxes—Income taxes on the consolidated statement of operations comprise:

	Fifty-Three Weeks Ended August 3, 1969	*Fifty-Two Weeks Ended July 28, 1968*
Income taxes currently payable:		
Federal (1)	$14,013,429	$ 8,530,503
State and local	2,127,000	1,468,135
Hong Kong (2)	40,571	20,362
Deferred federal and state	2,465,000	3,368,000
Carryforward benefits		268,000
Less taxes applicable to extraordinary items	(3,631,000)	(2,350,000)
Total	$15,015,000	$11,305,000

(1) Investment credits are reflected in net earnings to the extent utilized against income tax liabilities. The provision for current federal income taxes for the fiscal years ended August 3, 1969 and July 28, 1968 was thus reduced by $680,000 ($.07 a share) and $780,000 ($.08 a share) respectively.

(2) Hong Kong taxes were computed at approximately 15% of taxable earnings. Dividends, if any, paid to Spartans by the Hong Kong subsidiaries will be subject to full corporate federal income tax less the applicable credit for Hong Kong taxes. Dividend payments on Hong Kong earnings (approximately $2,200,000 to August 3, 1969) are not presently contemplated; therefore, no provision has been made for United States federal income taxes thereon.

The financial statements are subject to final determination by the Treasury Department of the tax liability for unexamined years of Spartans, its subsidiaries and predecessor corporations acquired by Spartans. In management's opinion, there will be no material assessments for unexamined years.

Balance Sheet Classification—Noncurrent Liability and Current Asset

BUCYRUS-ERIE COMPANY

Current Assets	
Cash	$ 2,949,611
Marketable securities—at cost (approximates market)	1,505,300
Notes and accounts receivable—Note B	29,928,547
Inventories—at the lower of cost (first-in, first-out method) or market	50,192,088
Future income tax benefits—Note C	4,283,000
Prepaid expenses	388,578
Total Current Assets	$89,247,124
Deferred Liabilities	
Pension costs and other compensation	$ 2,692,625
Taxes on income—Note C	2,480,000
	$ 5,172,625

Note C: Future Income Tax Benefits; Deferred Taxes on Income—Future income tax benefits which result from expenses (excluding deferred pension costs and other compensation) which have been provided in the financial statements but not deducted for income tax purposes have been included in the balance sheet as a current asset.

Costs of plant and equipment are depreciated over their estimated useful lives on a straight-line basis. However, for income tax purposes accelerated methods are used. Deferred taxes on income consist principally of taxes payable in future years related to this difference, reduced by future income tax benefits related to deferred pension costs and other compensation.

Of the total income tax expense for the year $280,000 is deferred.

METRO-GOLDWYN-MAYER INC.

	(in thousands)
Current Assets (in part):	
Cash and securities	$ 15,730
Refundable federal income taxes	20,350
Accounts and notes receivable (less reserves of $6,324,000 and $4,257,000, respectively)	24,280
Television contract installments	40,729
Prepayments	2,299
Future tax benefits	18,387
Long-Term Liabilities:	
Notes payable to banks—	
Revolving credit agreement due 1971	50,000
4⅝-4⅞% notes due 1972	12,500
	62,500
5% Convertible Subordinated Debentures due 1993	34,492
Other liabilities	15,777
Minority interest in subsidiary	748
	113,517
Deferred Income Taxes	12,431

Notes to Financial Statements

Federal and Foreign Income Taxes: The provision (credit) for United States and foreign income taxes for 1969 includes (in thousands):

Currently payable (principally foreign income taxes)	$ 5,326
Refundable federal income taxes from carryback of operating losses to prior years	(20,350)
Estimated future income tax benefits, representing the tax effect of expenses deducted from income for accounting purposes currently, but for tax purposes in future periods	(21,547)
	($36,571)

The accompanying balance sheet reflects $18,387,000 net current future tax benefits and $12,431,000 net deferred tax credits which

have been allocated between current and non-current on the basis of related assets and liabilities. The realization of the estimated future income tax benefits is dependent upon the Company's ability to generate future taxable income, by utilization of deferred tax credits and from other sources, in periods which result in tax benefits. The amounts are included in the financial statements since, in the opinion of management, the realization of such tax benefits is assured beyond any reasonable doubt.

Federal income tax returns for the years 1965, 1966 and 1967 are currently being reviewed by the Internal Revenue Service. In the opinion of management, any adjustments which may result from these examinations or examinations of subsequent years will not have a material effect on the Company's financial position or results of operations.

MUNSINGWEAR, INC.

Cash	$ 1,407,705
Receivables:	
Trade (less allowances for cash discounts and doubtful accounts: 1969, $555,000)	10,080,546
Other	786,789
Net Receivables	10,867,335
Inventories, at lower of cost (first-in, first-out) or market:	
Finished goods	10,675,113
Goods in process	6,054,154
Raw materials	6,475,771
Total Inventories	23,205,038
Prepaid expenses	852,795
Prepaid income taxes (Note 1)	264,000
Total Current Assets	$36,596,873
Total Long-Term Debt	$ 7,679,749
Deferred Income Taxes (Note 1)	704,000
Minority Interest in Subsidiary Company	159,410

Note 1: Prepaid income taxes relate to accrued vacation pay, allowances for cash discounts, doubtful accounts, and cooperative advertising, all of which will be deducted for income tax purposes in the year incurred. The liability for deferred income taxes relates principally to the excess of accelerated depreciation claimed for income tax purposes over the amount recognized for financial statement purposes.

The 1969 provision for Federal and State income taxes is comprised of the amount currently payable, $3,233,600, plus the provision for deferred income taxes, $218,000, less prepaid income taxes credited to earnings during the year, $58,000, and the investment credit earned in 1969, $163,600. Corresponding amounts for 1968 are $3,679,856, $108,000, $41,056 and $79,800, respectively.

Balance Sheet Classification—Current Assets

UNITED AIRCRAFT CORPORATION

Current Assets:	
Cash	$ 69,472,231
Accounts receivable:	
United States Government	120,685,017
Commercial customers	294,942,548
Other	3,692,380
Future federal income tax benefits	55,185,912
Inventories, at cost	740,678,540
Less—Payments, secured by lien, from United States Government on uncompleted contracts	(234,823,946)
Total Current Assets	$1,049,832,682

Financial Comments (Page 19)

Federal Income Taxes—Federal income tax matters have been settled with the Internal Revenue Service through the year 1968. The accrual for federal income taxes of $13,118,109 included in the balance sheet at December 31, 1969 is believed to be adequate to cover all federal income tax liabilities of the Corporation.

The amount of $55,185,912 for future federal income tax benefits, shown in the balance sheet at December 31, 1969, represents principally the tax reductions relating to certain costs and expenses charged off in accordance with the Corporation's regular accounting practices, but which are not deductible for income tax purposes until later years, including the charges against income on the Norden advanced integrated display system contract referred to previously, and the provision against income in 1968 relating to the Pratt & Whitney Aircraft engine program for the DC-10 aircraft.

The provision for federal income taxes on the income statement for 1969 of $45,687,814 represents the estimated taxes currently paid or payable of $49,858,609 less the net tax effect, $4,170,795, of transactions which are reported in different periods for financial and tax reporting purposes.

Balance Sheet Classification—Current Liability

HALLIBURTON COMPANY

Current Liabilities:	
Accounts payable and accruals	$124,964,976
Federal income taxes—current	12,747,712
Federal income taxes—deferred (Note 3)	37,352,160
Contributions payable to employees' benefit funds	7,307,302
Current notes payable	27,259,270
Total Current Liabilities	$209,631,420

Note 3: Federal Income Taxes—Deferred Federal income taxes arise primarily from reporting construction contract income on a completed contract basis for tax purposes and on a percentage of completion basis for financial reporting purposes, and from accruals for estimated future Federal income taxes on unremitted foreign subsidiary earnings.

The provisions for current Federal income taxes have been reduced $2,140,827 in 1969 and $1,835,159 in 1968 for the investment tax credit.

NORTHROP CORPORATION

Current Liabilities	
Notes payable under credit agreement	$ 90,842,140
Accounts payable and accrued items	60,626,180
Employees' compensation and amounts withheld	32,315,136
Income taxes, including deferred taxes (1969—$14,725,326)—Note E	24,320,810
Current maturities of long-term debt	13,949,826
Total Current Liabilities	$222,054,092

Note E: Income Taxes—The Corporation and its subsidiaries provide for deferred income taxes on differences in treatment for financial reporting and income tax purposes of certain product development costs, contract income, and other items. In that the deferred taxes relate almost wholly to items which have been classified as current items in the statement of consolidated financial position, the net deferred tax has been reflected as a current liability.

The effect on the annual provision for federal income taxes of differences between financial reporting and income tax treatment of the items mentioned above is shown below:

	1969	1968
Tax currently payable	$21,457,517	$11,061,276
Increase (decrease) in deferred tax	(915,370)	3,873,856
	$20,542,147	$14,935,132

California franchise tax, which is accrued in the year in which the related taxable income is earned, is considered by the Corporation to be an administrative and general expense and is included in the accumulated costs of contracts in process.

Balance Sheet Classification—Noncurrent Asset and Current Liability or Asset

J. J. NEWBERRY CO.

Assets:

Deferred Income Tax Reductions, net (Note 3)	$ 32,000
Deferred Charges and Other Assets	$3,303,236

Current Liabilities:

Federal income taxes	$2,837,000
Deferred federal income taxes (Note 3)	$ 807,000

Notes to Financial Statements

Note 3: For financial reporting purposes, on a recurring basis:

a) Profits from all sales are recognized at time of sale; and
b) Depreciation on property and equipment is provided principally on the straight-line basis.

For tax reporting purposes, the corresponding accounting practices are to:

a) Defer profits on certain credit sales to future periods by use of the instalment method of accounting; and
b) Provide for depreciation by use of accelerated methods.

Accordingly, current operations are charged for income taxes deferred to future periods which are directly related to the aforementioned differences of reporting income for financial and tax purposes.

Deferred federal income taxes comprised:	
Deferred income tax reductions, net—noncurrent:	
Related to store closing program (Note 5)	$3,318,000
Other	1,140,000
Less, deferred tax credits principally resulting from use of accelerated depreciation methods	4,426,000
	$ 32,000
Deferred income taxes, net—current:	
Applicable to gross profit on instalment sales	$1,035,000
Less, tax reduction related to store closing program (Note 5)	228,000
	$ 807,000

Note 5: During the year ended January 31, 1967, the Company's Board of Directors authorized the adoption of a program to dispose of certain unprofitable stores in that and subsequent years. Extraordinary, nonrecurring charges incurred in connection with such store closing program are charged to the reserve previously provided for that purpose.

SWIFT & COMPANY

Current Assets:

Cash and temporary investments	$ 15,476,000
Receivables, less allowances of $1,899,000	180,814,000
Inventories	197,439,000
Prepayments and other current assets—Note 5	7,717,000
Total Current Assets	401,446,000

Investments and other assets:

Deferred income taxes—Note 5	$ 14,198,000

Notes to Consolidated Financial Statements

Note 5: Deferred Income Taxes—Deferred income taxes are provided on all non-permanent differences between reported and taxable earnings. These differences relate principally to inventories, depreciation, pension and deferred compensation expenses, and losses and costs from the facility realignment program.

Changes in deferred income taxes recoverable (payable) in 1968 and 1969 are summarized as follows:

	Current	*Noncurrent*
Balance at October 28, 1967	$2,425,000	$(23,146,000)
Credited (charged) to income taxes	1,222,000	(6,050,000)
Credited to extraordinary charge	—	48,835,000
Balance at October 26, 1968	3,647,000	19,639,000
Credited (charged) to income taxes	1,523,000	(5,441,000)
Balance at November 1, 1969	$5,170,000	$14,198,000

The current portion of the deferred income tax balance at each year end is included in prepayments and other current assets.

Balance Sheet Classification—Noncurrent Asset

HERCULES INCORPORATED

Assets:

Deferred U.S. and Foreign Taxes on Income	$19,997,723
Deferred Charges and Miscellaneous Assets	11,595,440

Notes to Financial Statements

Note 4: U.S. and Foreign Taxes on Income—Hercules and certain consolidated subsidiaries use accelerated depreciation methods for income tax purposes with respect to a major portion of their plant and equipment. Deferred U. S. and foreign taxes on income are due to timing differences between the amounts expensed for financial accounting and income tax purposes and are applicable principally to pensions, insurance, and depreciation.

The investment tax credit has been applied in reduction of the provision for U. S. taxes on income and amounted to $5,003,000 in 1969 and $6,417,000 in 1968.

STANDARD SCREW COMPANY

Other Assets:

Future federal tax benefits	$1,081,000

Notes to Financial Statements

Income Taxes—Acquisition of machinery and equipment entitled the Company to investment tax credits of $230,000 in 1969 and $237,000 in 1968. These amounts were applied to reduce the provisions for federal taxes on income. The Tax Reform Act of 1969 in general terminated the tax credit effective April 18, 1969.

Although deferred compensation is deductible for federal income taxes only when actually paid, estimated future tax benefits relating thereto are recognized in the statement of income in the year such deferred compensation is accrued.

INVESTMENT CREDIT

The Revenue Acts of 1962 and 1964 allowed a credit against Federal income taxes of up to seven percent of the cost of certain depreciable assets purchased and placed in service during the tax year. The Tax Reform Act of 1969 terminated the investment credit for property acquired, constructed, or reconstructed after April 18, 1969. Unused credits can be carried back three years and carried forward seven (in some instances ten) years. The amount of unused credit that can be used in any one year of the carryover period is limited to twenty percent of the available credit.

Table 3-19 shows the number of survey companies making reference to the investment credit. Most of the survey companies referring to the investment credit reduced their income tax provision by the amount of allowed credit.

Examples of investment credit disclosures follow.

Flow-Through Method

THE BOHACK CORPORATION
Notes to Financial Statements

Note 5: Federal Income Taxes—Current Federal income taxes have been reduced by approximately $278,000 due to use of investment credits. Deferred Federal income tax amounting to $8,000 has been provided as a result of restoring to income the excess of depreciation deductions used for financial statement purposes over accelerated depreciation deductions used for tax purposes, together with the effect of tax deductions of various expenses which have been deferred for financial statement purposes.

The Company has available for reduction of future Federal income taxes investment credits aggregating approximately $632,000. These credits can be used in the maximum amount of $158,000 each year through 1974, and expire in various amounts from 1974 to 1978, if not used prior to that date.

Date of Expiration	*Amount*
Jan. 1974	$ 18,000
Jan. 1975	96,000
Jan. 1976	103,000
Jan. 1977	225,000
Jan. 1978	190,000
	$632,000

TABLE 3-19: INVESTMENT TAX CREDIT

Method Used in Current Year	1969	1968	1967	1965
Flow-through:				
No deferral from prior years	283	274	240	204
Prior years' deferral being amortized	17	16	17	22
Deferral:				
Amortized over productive life	39	38	43	58
Amortized over shorter period	6	6	6	3
Amortization policy not indicated	16	22	18	N/C
Total	361	356	324	287
Number of Companies				
Using flow-through method	300	290	257	226
Using deferral method	61	66	67	61
No reference to method used	239	244	276	313
Total	600	600	600	600

N/C—Not compiled.

GRANITE CITY STEEL COMPANY
Notes to Consolidated Financial Statements

Note 3: Income Taxes—The current provision for federal income taxes for 1969 includes a net refund of $1,475,000 arising from a tax operating loss carryback to 1966. Effective January 1, 1969, the company adopted the practice, which is approved under Opinion 11 of the Accounting Principles Board, of reducing the provision for deferred federal income taxes by investment credit carryforwards to the extent that they would be allowable if such deferred taxes were payable currently. Prior to 1969, deferred income taxes were provided at statutory rates without giving consideration to investment tax credit carry-forwards. The effect of this change in 1969 was a reduction of the deferred federal income tax provision and a consequent increase in net income of $868,000.

At December 31, 1969 the company has approximately $4,500,000 of unused investment credit available to be carried forward and recognized in income. The carry-forward credits expire commencing in 1974 subject to possible extension under provisions of the Tax Reform Act of 1969.

The net balance of deferred federal income taxes of $33,066,000 at December 31, 1969, represents the tax effect of accumulated tax deductions claimed in excess of amounts charged to operations on the books, involving primarily depreciation deductions and deferred development expenses. This balance will decrease when net charges to operations exceed amounts claimed as tax deductions in future years.

MOLYBDENUM CORPORATION OF AMERICA
Notes to Consolidated Financial Statements

Note 5: Federal Income Taxes—No income tax provision was required for 1969, because the pre-tax accounting income was reduced by percentage depletion and the application of a part of the tax basis net operating loss carryforward.

To the extent pre-tax accounting income was affected by amortization of development costs and excess tax basis depreciation deducted for tax purposes in prior years, deferred taxes were decreased by $528,800, the amount provided therefor in prior periods. This amount was offset by $427,500 of net deferred taxes provided on 1969 timing differences consisting primarily of excess tax basis depreciation. The resulting net reduction in deferred tax accruals in the amount of $101,300 was credited as other income and compares with a similar credit of $125,000 in 1968.

At December 31, 1969, approximately $6,700,000 of net operating loss was available to reduce future tax basis income for a maximum period of four years.

At December 31, 1969, the Company had $3,118,000 of investment tax credits available to reduce future income tax payments until 1976, at the rate of not more than 20% of the available credit per annum. The Company reduces its tax provision by the applicable investment tax credit available for use each year.

The Company's tax returns for all years through 1965 have been approved by the Internal Revenue Service.

WINNEBAGO INDUSTRIES, INC.
Notes to Consolidated Financial Statements

Note 6: Investment Credit Accounting Policy—The Companies follow the policy of treating the investment credit allowance as a reduction of the federal income tax expense in the year in which the credit is utilized. This policy has the effect of reducing federal income tax expense $31,600 and $9,800 for the years ended February 22, 1969 and February 24, 1968 respectively over what it would have been if the companies had not acquired the facilities that provided the investments credits used.

Deferral Method

CHEMETRON CORPORATION

Other Liabilities and Deferred Credits:	
Federal income taxes (Note 3)	$15,697,000
Investment credit and other (Note 3)	3,590,086

Note 3: Federal Income Taxes—The Company computes depreciation, for tax purposes only, on accelerated methods and in accordance with the guideline lives authorized by Revenue Procedure 62-21. Provision has been made for Federal income taxes which will become payable in future years when depreciation deductible for tax purposes will be less than that shown on the books.

Deferred income taxes provided, primarily as a result of the aforementioned depreciation policies, amounted to $2,032,000 in 1969 (including $463,000 relating to the net extraordinary credit) and $1,217,000 in 1968.

The permanent reduction of Federal taxes relative to the investment credit on equipment additions has been deferred and is being reflected in income over the estimated productive lives of the acquired facilities. The investment credit so generated in 1969, was $1,216,000 as compared to $1,190,000 in 1968. The amortization of investment credit increased net earnings by $881,000 and $774,000 in 1969 and 1968, respectively.

The 1969 provision for Federal income taxes has been reduced approximately $300,000 by the reversal of provisions for income taxes made in prior years no longer required.

The Internal Revenue Service is examining the Federal income tax return of the Company and certain subsidiaries for the years 1966 and 1967. Deficiencies, if any, that may be proposed are not expected to materially affect the consolidated financial statements.

AIR PRODUCTS AND CHEMICALS, INC.

Liabilities:

Deferred United States Investment Credit (Note 2) $7,095,000

Note 2: Taxes and Depreciation—For book purposes, annual depreciation is provided over the estimated useful lives of the applicable assets using the sinking fund method for pledged generating facilities and principally the straight line method for other assets. For United States income tax purposes, the Company uses accelerated methods and guideline lives established by the Treasury Department. Accelerated methods are generally used for foreign income tax reporting. Income taxes applicable to the excess of tax depreciation over book depreciation are provided for as deferred taxes.

The Company takes United States investment credit into income generally over the average lives of the applicable asset. This amortization was $1,227,000 in 1969 and $966,000 in 1968. The unamortized investment credit at September 30, 1969, to be taken into income in future years is $7,095,000, including the utilization in 1969 of $968,000 carry-forward from prior years. At September 30, 1969, the Company had approximately $2,100,000 investment credit available through 1973 for the reduction of future years' income taxes under the existing tax law.

The United States income tax returns of the Company and certain domestic subsidiaries for the fiscal years 1961 through 1964 have been audited by the Internal Revenue Service. A report has been received for fiscal years 1961 and 1962 and discussions have been held with respect to fiscal years 1963 and 1964. The examining agents have proposed adjustments of a substantial nature, raising numerous issues which relate primarily to the years in which certain deductions are allowable. The Company is contesting substantially all of the proposed adjustments and it is the Company's opinion that the final determination will not have a materially adverse effect on its consolidated financial position or results of operations.

THE BOEING COMPANY

Liabilities and Stockholders' Investment:

Deferred Taxes on Income—Note 2 ..... $25,100,000

Deferred Investment Credit—Note 2 ..... $68,800,000

Note 2: Federal Income Taxes—Investment tax credit is being deferred and amortized ratably over the lives of the applicable assets. Federal taxes on income (tax credits) include $17,000,000 in 1969 and $12,600,000 in 1968 of credits representing amortization of investment credit.

Deferred taxes on income (principally arising in prior years from installment sales of commercial aircraft) have been reduced at December 31, 1969 by $18,600,000 of the deferred investment tax credit reportable in future years' income tax returns under the revised carryforward provisions of the Internal Revenue Code.

Income taxes have been settled with the Internal Revenue Service for all years through 1966. Adequate provision for income taxes is believed to have been made for the years 1967 through 1969.

TAX EXAMINATIONS AND RENEGOTIATION PROCEEDINGS

In June 1953, the committee on accounting procedures issued *Accounting Research Bulletin No. 43. Chapter 11, Section B—Renegotiation* of this Bulletin deals with certain aspects of the accounting treatment for those contracts which fall within the scope of the Renegotiation Act of 1951. The committee makes the following recommendations:

2. Where such contracts constitute a substantial part of the business done, the uncertainties resulting from the possibilities of renegotiation are usually such that appropriate indication of their existence should be given in the financial statements.

. . . .

4. In keeping with the established accounting principle that provision should be made in financial statements for all liabilities, including reasonable estimates for liabilities not accurately determinable, provision should be made for probable renegotiation refunds wherever the amount of such refunds can be reasonably estimated. Thus, in cases where experience of the company or of comparable companies with renegotiation determinations is available and would make a reasonable estimate practicable, provision in the income account for an estimated refund affecting the current year's operations is called for. In cases in which a reasonable estimate cannot be made, as where the effect of a new or amended renegotiation act cannot be foretold within reasonable limits or where a company is facing renegotiation for the first time and no reliable precedent is available, disclosure of the inability, because of these circumstances, to determine renegotiation effects and of the consequent uncertainties in the financial statements is necessary.

5. In addition to any provision made in the accounts, disclosure by footnote or otherwise may be required as to the uncertainties, their significance, and the basis used in determining the amount of the provision, such as the prior years' experience of the contractor or of similar contractors if their experience is available and is used, renegotiation discussions relating to the current year, etc. . . .

6. Provisions made for renegotiation refunds should be included in the balance sheet among the current liabilities.

7. Accounting treatment in the income statement should conform to the concept that profit is deemed to be realized when a sale in the ordinary course of business is effected, unless the circumstances are

TABLE 3-20: TAX EXAMINATIONS AND RENEGOTIATION PROCEEDINGS

Tax Examination Reported	1969	1968	1965	1960
Liability for assessment provided	24	23	N/C	N/C
No provision for possible additional liability	36	50	39	42
No mention of additional assessment	80	71	N/C	N/C
Total	140	144	39	42
Renegotiations Proceedings Reported				
Provision made for possible liability	4	7	9	20
No provision made for renegotiation	59	45	38	65
Total	63	52	47	85
Number of Companies				
Reporting on tax examinations or renegotiation	188			
Not reporting on such matters	412			
Total	600			

N/C—Not compiled

such that collection of the sales price is not reasonably assured. Renegotiation refunds are commonly referred to as involving a refund of "excessive profits"; realistically, however, renegotiation involves an adjustment of the original contract or selling price. Since a provision for renegotiation refund indicates that the collection, or retention, of the selling price is not reasonably assured, the provision should preferably be treated in the income statement as a deduction from sales. Because of the interrelationship of renegotiation and taxes on income, the provision for such taxes should then be computed accordingly.

Table 3-20 shows that 63 survey companies referred to renegotiation proceedings or to renegotiable sales in their 1969 annual reports. Of these companies, four disclosed a provision for estimated renegotiation liability. The remaining 59 companies made no provision for possible renegotiation liability, even though they referred thereto or mentioned renegotiable sales. In such instances the reports usually contained further discussion and comments explaining the reasons for the absence of any provision for possible renegotiation liability.

Table 3-20 shows also that 140 companies referred to tax examinations by the Internal Revenue Service. Of these companies, 24 disclosed and made provision for proposed additional assessments, while 36 disclosed proposed additional assessments but did not consider a provision necessary.

Examples of disclosure of the results of tax and renegotiation examinations are shown below.

Additional Tax Assessments—Liability Provided

FMC CORPORATION
Financial Review (Page 24)

Taxes and Renegotiation—In 1969, the total of all taxes was $87.7 million, which exceeded net income by $20.4 million. Taxes per common share were $2.84 and $3.02 in 1969 and 1968, respectively. Federal, state, and foreign taxes on income amounted to $56.4 million. The remaining $31.3 million consisted of social security, property, excise, and other taxes.

FMC's Federal income tax returns through 1963 have been examined by the U. S. Treasury Department, and there are approximately $1.8 million of taxes associated with unsettled items related to these years. The years 1964 through 1966 are currently under review. It is believed that adequate provision for income taxes has been made for all open years.

A significant portion of the Company's sales of defense material is subject to the Renegotiation Act of 1951. The Renegotiation Board has issued clearances for all years through 1968, and no refund is anticipated for 1969.

SPRAGUE ELECTRIC COMPANY
Notes to Financial Statements

Note 4: Federal Income Taxes—In 1969 current deferred income taxes have been provided in the amount of $549,766 or 16¢ per share (1968—$471,225 or 14¢ per share). In addition, $250,000 of the accumulated deferred Federal income taxes relating to 1966 and prior years amounting to $2,143,200 was charged to earnings.

The statement of consolidated income includes the net income of a domestic wholly owned subsidiary operating in Puerto Rico which is exempt from Puerto Rican income taxes until November 1970. The estimated amounts of Puerto Rican income tax benefits for the years 1969 and 1968 were $451,260 and $319,143, or 13¢ and 9¢ per share, respectively. Any ordinary dividend paid by this subsidiary to the parent company would be subject to U. S. income taxes, but no such dividends are anticipated.

The Federal income tax returns of Sprague Electric Company have been examined by the Internal Revenue Service and settlements made with respect to domestic matters through the year 1964.

Settlement has been reached for years through 1961 as to Federal income taxes on income from sources outside the United States. The accompanying statements reflect prior period adjustments to retained earnings at the beginning of 1968 and 1969, representing additional taxes and net interest on account of such settlement ($476,384), together with an estimate of additional adjustments which may be required with respect to such income for years subsequent to 1961 ($1,200,000).

Additional Tax Assessments—Liability Not Provided

HAZELTINE CORPORATION
Notes to Financial Statements

Note 9: The Internal Revenue Service has proposed an additional Federal Income Tax assessment of $940,712 for the year 1965 relating primarily to a proposed disallowance of losses actually incurred in that year, in the amount of $1,999,686, determined under the Company's long established and consistently followed method of valuing uncompleted contracts as described in Note 3 above. The Company's method of valuation is in accordance with generally accepted accounting principles. The Company believes its method is in accordance with applicable tax law and has contested this proposed assessment. The matter is currently being reviewed by the Appellate Division of the Internal Revenue Service. The proposed disallowance would have no effect upon the Company's reported net income for 1965 and inasmuch as these losses were actually incurred and therefore are allowable deductions for tax purposes, the proposed disallowance would have no material effect upon the Company's total tax liability for all years but would only change the amounts of tax to be paid in particular years. Accordingly, no provision for additional taxes has been made in the financial statements.

PHELPS DODGE CORPORATION
Notes to Financial Statements

Note D: Taxes on Income—The Internal Revenue Service has proposed substantial assessments for additional Federal income taxes for the years 1960 through 1963. These proposed assessments are being protested. Returns for the years 1964 through 1966 are currently under examination; subsequent years have not yet been examined. While the outcome of these matters is not determinable at this time, the Corporation is of the opinion that any liability in respect of these proposed assessments, together with possible deficiencies arising from the issues involved applied to the subsequent open years, would not materially affect the Corporation's financial position at December 31, 1969.

Years Examined Disclosed

FREEPORT SULPHUR COMPANY
Notes to Financial Statements

Note 3: As stated in previous years' Annual Reports, income taxes in 1967 and prior years have reflected tax-loss carry-forwards relating to the investment in Cuban American Nickel Company which was written off in 1960; the amount of these carry-forwards cannot be finally determined until audits by the Internal Revenue Service have been completed. (The Internal Revenue Service has not yet completed its audit of the Company's Federal income tax returns for the years 1959 through 1966, involving the deductibility of losses and resultant tax-loss carry-forwards sustained as a result of the confiscation of Cuban mineral facilities by the Fidel Castro Government. The balance of these tax-loss carry-forwards, as computed by the Company, was utilized in 1967. These losses were deducted by the Company in its tax returns in accordance with tax-law precedent and practice. The ultimate position of the Service is, of course, unknown. If the Service were to depart from precedent and practice, it is estimated that the maximum adverse determination might involve deficiencies totaling $14,000,000 plus interest. The Company intends to resist any such assertion if made and in the opinion of its counsel the Company should prevail.)

GENESCO INC.
Financial Review

The company's Federal income tax returns for the years 1964, 1965 and 1966 are presently under examination by the Internal Revenue Service. No significant additional tax liabilities are anticipated.

THE GILLETTE COMPANY
Notes to Financial Statements

Note 2: Income Taxes—The liability for estimated Federal and foreign income taxes payable after one year includes $5,351,000 in 1969 and $4,888,000 in 1968, representing taxes deferred to future years resulting primarily from the use of accelerated methods of depreciation for income tax purposes.

The Company does not provide for Federal income taxes on unremitted foreign earnings which have been either permanently invested or held for permanent investment.

Federal income tax returns have been examined through the year 1962 and final settlement made. An examination of tax returns for the years 1963, 1964, 1965 and 1966 is presently being made. In the opinion of management, adequate provision has been made for all current and deferred income tax liabilities.

NATIONAL LEAD COMPANY
Financial Report

Taxes on Income—The provision for United States and foreign taxes on income amounted to $44,593,000 in 1969, compared to $46,313,000 in 1968. The provision for deferred income taxes (arising principally from accelerated depreciation utilized for tax purposes) amounted to $3,568,000 and $240,000 for 1969 and 1968, respectively. The Company's United States income tax returns have been examined and settled through year 1964. Years 1965 and 1966 are now under examination. The liability for taxes on income covers both United States and consolidated foreign subsidiaries and the Company believes that adequate provision has been made for all years not yet examined.

Settlement of Tax Litigation

BIRD & SON, INC.
Notes to Consolidated Financial Statements

Note 5: Income Taxes—During 1969, the company's subsidiary settled a dispute with the Internal Revenue Service regarding the accounting for advance payments on sales contracts. Under the settlement, such payments are included in taxable income when received. For accounting purposes, the company will continue to follow the generally accepted accounting practice of taking these advance payments into income at the time shipments are made to customers. This agreement is effective as of January 1, 1967, with the tax liability on the advance payments as of that date payable over a 10-year period. The income taxes amounting to $502,000 which remain to be paid on the January 1, 1967 balance have been credited to deferred income taxes at December 31, 1969. This settlement had no effect on reported net income for prior years. The provision for income taxes includes credits equivalent to income tax prepayments of $291,000 in 1969 to give effect to the timing difference arising in 1969.

The provision for income taxes includes charges for deferred income taxes of $172,000 for tax timing differences relating to accelerated depreciation, pension costs and the recognition of the gain on the sale of certain assets of the Fibre Box division on the instalment method. The companies follow the flow-through method of accounting for the investment tax credit, which had the effect of reducing the provision for income taxes by $110,000 ($230,000 in 1968). This amount includes $13,000 ($46,000 in 1968) available as a credit against future tax liabilities. The related income taxes on the extraordinary gain have been increased by $23,000 due to investment credit recapture provisions.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
Notes to Consolidated Financial Statements

Note 3 (in part): *Income Taxes*—The Corporation's federal income tax returns have been examined by the Internal Revenue Service for fiscal years 1959 through 1963. Returns filed for the 1964 and 1965 fiscal years are presently under examination. Major issues raised by the Service relate to the Corporation's method of computing percentage depletion and, for years beginning with 1963, to the pricing of potash purchased by the Corporation from its Canadian subsidiary.

During 1969, the Corporation reached agreement with the Internal Revenue Service on a substantial number of issues involved for fiscal years 1960 through 1963 and accordingly has provided $5,500,000 by a charge to retained earnings at July 1, 1967 for additional income taxes relating to all issues through June 30, 1964, including interest (no income tax effect). It is believed that adequate provision has been made for income taxes and interest on all issues for fiscal years 1965 through 1969.

Liability Recorded for Renegotiation Refund

COLLINS RADIO COMPANY

Current Liabilities:	
Notes payable:	
Banks—domestic	$ 63,750,000
Banks—foreign	5,458,000
Other	1,457,000
Accounts payable	32,241,000
Accrued liabilities	20,173,000
Income taxes and price revision refunds	2,726,000
Total Current Liabilities	$125,805,000

Notes to Financial Statements

Note 9: Renegotiation—A majority of the Company's sales are subject to renegotiation by the United States Government. Clearance has been received for years through 1967. In respect to the subsequent periods, the Company believes that renegotiation proceedings will not result in any material adjustments of profits as reported.

GENERAL ELECTRIC COMPANY

Liabilities and Equity:	
Short-term borrowings	$340,720,000
Accounts payable	386,868,000
Progress collections and price adjustments accrued	$709,041,000

1969 Financial Summary

Provision for Income Taxes amounted to $231.5 million in 1969. Details of this amount are shown in the tabulation in the lower right margin.

Provision for U.S. Federal income taxes, in accordance with the recommendation of the American Institute of Certified Public Accountants, has been based on the income and costs included in the earnings statement shown on page 21.

The amount of U. S. Federal income taxes shown payable is determined by applicable statutes and government regulations. The amounts shown as timing differences result from the fact that under these statutes and regulations some items of income and cost are not recognized in the same time period as good accounting practice requires them to be recorded. The net effect of such differences has been that earnings on which tax payments have been required have been more than earnings reported in Annual Reports. Accordingly, the provision for taxes has been reduced, and a deferred-tax asset has been established to record the reduction of future tax payments. For 1969, timing differences include the effect of the regular provision for 1970 vacation payments to striking employees which was not a contractual liability at December 31, and therefore not deductible for tax purposes.

Federal income tax returns of the parent Company are settled through 1960.

The Company follows the practice of adding the investment credit to income over the life of the underlying facilities rather than in the year in which facilities are placed in service. The investment credit was repealed effective April 18, 1969. The investment credit amounted to $10.3 million in 1969 compared with $17.6 million last year. In 1969, $9.0 million was added to net earnings compared with $6.7 million in 1968. At the end of 1969, the amount still deferred and to be included in net earnings in future years was $52.0 million. If the Company had "flowed through" the investment credit, this amount would have been included in 1969 and prior years earnings.

Renegotiation is a net provision for that portion of earnings on prime and subcontract sales to the U.S. Government which may

later be claimed by the Government

Provision for Income Taxes

	(*in millions*) 1969
U.S. Federal income taxes:	
Estimated amount payable	$256.3
Effect of timing differences	−69.2
Investment credit deferred—net	1.3
	188.4
Other income taxes and renegotiation	43.1
	$231.5

No Liability Provided for Renegotiation

BURNDY CORPORATION
Notes to Financial Statements

Note 9: Renegotiable Sales—Approximately 20% of the sales in 1969 and 25% of the sales in 1968 are subject to either statutory renegotiation or to audit of costs on certain cost-plus-fixed-fee contracts. In the opinion of the Company, refunds and allowable costs, if any, will not have a material effect on the financial statements of the Company. Renegotiation has been concluded through 1967 with no refund required.

TAXES ON UNDISTRIBUTED EARNINGS OF SUBSIDIARIES

Paragraph 16 of ARB No. 51, *Consolidated Financial Statements,* restated in paragraph 39 of *Opinion No. 11—Accounting for Income Taxes,* states:

> When separate income tax returns are filed, income taxes usually are incurred when earnings of subsidiaries are transferred to the parent. Where it is reasonable to assume that a part of all of the undistributed earnings of a subsidiary will be transferred to the parent in a taxable distribution, provision for related income taxes should be made on an estimated basis at the time the earnings are included in consolidated income, unless these taxes are immaterial in amount when effect is given, for example, to dividend-received deductions or foreign tax credits. There is no need to provide for income tax to the parent company in cases where the income has been, or there is evidence that it will be, permanently invested by the subsidiaries, or where the only likely distribution would be in the form of a tax-free liquidation.

Of the 508 companies presenting consolidated statements or otherwise taking into income the earnings of subsidiaries, only 77 described their policy as to possible taxes on unremitted earnings. Of these companies, 26 provided for such taxes.

Seventy-two of the companies describing their policy were reporting on foreign subsidiaries only, and five on domestic subsidiaries only.

It should be remembered that many domestic subsidiaries are included in consolidated tax returns and their earnings are not subject to tax when remitted, and that most dividends received by a corporation from its domestic subsidiaries are eligible for the 85 percent credit for intercorporate dividends. Also, remittances from foreign subsidiaries generally involve a credit for foreign taxes paid, which may significantly reduce or completely eliminate the federal income tax on such earnings.

TABLE 3-21: TAXES ON UNDISTRIBUTED EARNINGS OF SUBSIDIARIES

Number of Companies	1969	1968
Providing for taxes on undistributed earnings of subsidiaries	26	30
No provision for such taxes	51	41
No statement as to policy	431	434
Total companies with subsidiaries consolidated or carried at equity	508	505
No subsidiaries or all unconsolidated subsidiaries carried at cost	92	95
Total	600	600

Provision for Taxes

ASSOCIATED PRODUCTS, INC.
Notes to Financial Statements

Note 1 (in part): *Principles of Consolidation and Subsidiaries*—The consolidated financial statements include the accounts of the company and its domestic subsidiaries, all of which are wholly owned. While the accounts of the company's foreign subsidiaries have not been consolidated in the accompanying financial statements, the investments in foreign subsidiaries, all of which are either wholly or majority owned, are carried at May 31, 1969 at the company's equity in the underlying net assets of such subsidiaries and their income for the year then ended has been included in the accompanying statement of income. A provision for U. S. income taxes of $117,573 on the undistributed earnings of foreign subsidiaries at May 31, 1969 is reflected as a deferred liability. The carrying value of investments in unconsolidated foreign subsidiaries, before provision for U. S. income taxes, exceeded cost at May 31, 1969 by $590,662.

PHILIP MORRIS INCORPORATED
Notes to Consolidated Financial Statements

Foreign Subsidiaries—Principal financial data for 1969 of foreign subsidiaries were as follows:

	Consolidated Subsidiaries	Unconsolidated Subsidiaries
Assets	$136,258,000	$182,017,000
Liabilities (other than due the Company)	56,980,000	82,084,000
Net assets	79,278,000	99,933,000
Company's equity	79,278,000	78,786,000
Operating revenues	182,351,000	321,021,000
Net earnings	14,638,000	5,249,000
Company's equity	14,638,000	1,813,000

Reserve Applicable to International Operations: This reserve provides for possible revaluation of investments in foreign subsidiaries which could be necessitated by government actions, such as currency devaluations, and for income taxes relating to undistributed earnings of foreign subsidiaries.

OWENS-ILLINOIS, INC.
Financial (Page 5)

Deferred Income Taxes—Deferred tax accounting is employed in all major applicable areas. The deferred income taxes shown in the balance sheet are summarized as follows:

	1969	1968
	(Thousands of Dollars)	
Tax effect of costs deducted for tax purposes but not in the financial statements (principally fixed assets and depreciation)	$ 62,939	$ 53,569
Tax effect of provisions for costs and losses not yet deductible for tax purposes (principally provision for rebuilding furnaces)	(11,841)	(10,555)
Provision for future taxes, principally U. S. taxes on undistributed earnings of certain foreign subsidiaries	2,327	2,273
	$ 53,425	$ 45,287

In addition to the above, a minor net amount of deferred taxes is included in working capital. The net charge to earnings for noncurrent deferred taxes was $8.0 million in 1969 and $9.0 million in 1968.

THE PILLSBURY COMPANY
Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—The accounts of foreign subsidiaries are stated in United States dollars at official or recognized free market rates of exchange, except that property, plant, and equipment and certain other non-current items, are generally stated at fixed dollar amounts based upon official or free market rates at time of acquisition. The company provides for income taxes on unremitted earnings of consolidated foreign subsidiaries.

The minority interest in the net earnings of the subsidiaries ($293,661 and $138,288 for the years ended May 31, 1969 and 1968, respectively) is included in miscellaneous deductions.

No Provision for Taxes

BLUE BELL, INC.
Notes to Financial Statements

Note 1 (in part): *Principles of Consolidation, Etc.*—The accompanying financial statements include the accounts of the Company and all of its subsidiaries, which are wholly-owned. The accounts of foreign subsidiaries have been translated into United States dollars at the appropriate rates of exchange. Gains and losses from currency fluctuations are included in income.

Consolidated net income and retained earnings include undistributed earnings of subsidiary companies located outside the United States. No provision has been made for any United States income taxes that may be payable on distributions to the Parent Company from retained earnings of these subsidiaries since the Company intends to continue investing such earnings in operations outside the United States.

The effective consolidated income tax rate is lower than prevailing domestic rates primarily due to earnings from international operations with more favorable tax rates and to earnings exempt from taxation by foreign governments.

CHEMETRON CORPORATION
Notes to Consolidated Financial Statements

Note 1 (in part): *Basis of Consolidation*—The accompanying consolidated financial statements include all domestic subsidiaries. All significant intercompany sales, profits and other items have been eliminated.

The statement of consolidated earnings includes the Company's equity in the undistributed net current earnings of its unconsolidated foreign subsidiaries and foreign and domestic 50%-owned companies (except Northern Chemical Industries, Inc.) after elimination of unrealized intercompany profits. The geographical distribution of such current earnings is shown in Note 11. 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.

HELENA RUBINSTEIN, INC.
Notes to Financial Statements

Note 8: United States and Foreign Taxes on Income—The federal income tax returns of the Company and its domestic subsidiary have been examined by the Internal Revenue Service through the year ended December 31, 1966. Based on assessments received in January 1970, the Company has provided for additional prior year taxes aggregating $333,000 which has been accounted for as a prior period adjustment. Accordingly, the 1968 statement of income and retained earnings has been restated to decrease net income by $98,000 and the balance in retained earnings at the beginning of the year by $235,000.

No provision has been made for possible additional taxes on undistributed earnings of a foreign subsidiary. This subsidiary is subject to additional taxation in the event of distribution. The maximum amount of such taxes (excluding U.S. and foreign withholding taxes payable by the Company) that would be payable if the total undistributed earnings of the subsidiary were to be distributed is approximately $2,800,000 at December 31, 1969. It is also the policy of the Company to provide for United States taxes on undistributed earnings of subsidiaries only to the extent of dividends received.

The provision for income taxes includes net deferred tax credits of $115,385 ($58,303—1968). Accumulated net current deferred taxes of $75,929, at December 31, 1969 are included in current liabilities.

SQUIBB BEECH-NUT, INC.
Notes to Financial Statements

Note 1: Principles of Consolidation and Other Matters—The consolidated financial statements include all subsidiaries except those engaged in automotive and related operations. Certain of the 1968 amounts have been reclassified for comparative purposes. The accounts of foreign subsidiaries and branches have been translated at appropriate rates of exchange. At December 31, 1969, the consolidated balance sheet includes $70,318,000 of net current assets and $131,280,000 of net assets in respect of foreign operations. The consolidated statement of income for the year ended December 31, 1969 includes net sales of $149,978,000 and net income of $27,977,000 which are attributable to foreign operations ($138,863,000 and $21,661,000 in 1968).

No provision has been made for Federal income taxes which may be payable upon transfer of accumulated foreign earnings to the United States inasmuch as the Company presently has no intention to repatriate any significant amount of such funds in a taxable transaction.

EXCISE TAXES

Forty-three of the survey companies referred to excise taxes in their annual reports. Twenty-three of these companies included the excise tax in gross revenues and deducted the tax as an adjustment to arrive at net sales or as a part of costs and expenses. The other 20 companies either disclosed that the tax was not included in revenues or did not indicate conclusively whether the tax was or was not included in revenues. In most cases (30 companies), the amount of excise taxes was disclosed somewhere in the annual report.

Examples of excise tax disclosures follow.

ASSOCIATED BREWING COMPANY

Sales	$135,901,000
Less federal and state excise taxes	45,570,000
	90,331,000
Cost of goods sold	66,267,000
	$ 24,064,000

THE AMALGAMATED SUGAR COMPANY

Sales	$92,307,000
Income from miscellaneous sources	340,000
	92,647,000
Cost of sales and expenses:	
Cost of sales (including federal excise tax on sugar: 1969, $4,099,000)	66,743,000
Selling, general and administrative expenses	13,475,000
Miscellaneous expenses and losses	2,156,000
	82,374,000
Income before provision for income taxes	$10,273,000

GULF OIL CORPORATION

Deductions:	
Purchased crude oil, products and merchandise	$1,430,964,000
Operating, selling and administrative expenses	1,867,573,000
Taxes on income and general taxes	1,773,487,000
Depreciation, depletion, amortization and retirements	450,770,000
Interest on long-term debt	87,204,000
Income applicable to minority interests in subsidiaries consolidated	17,119,000
	$5,627,117,000

Notes to the Financial Statements

Taxes on Income and General Taxes

Consumer excise taxes	$1,156,578,000
U. S. and foreign income taxes	447,149,000
Import duties	35,902,000
Other taxes	133,858,000
	$1,773,487,000

The companies practice interperiod tax allocation with respect to all significant timing differences. The tax effect of accounting for these items in different periods for book and tax purposes, which in 1969 amounted to $66,000,000, is included in the provision for U. S. and foreign income taxes.

The current U. S. income tax provision is reduced by the amount of the investment tax credit. The effect on income in 1969 and 1968 was not material.

LOEW'S THEATRES, INC.

Sales and Operating Revenues:	
Sales of manufactured products and revenues of theatres and hotel operations (Note 7)	$533,529,659
Security transactions, rent and other revenues	20,499,936
Total	554,029,595
Costs and Expenses:	
Cost of goods sold and operating cost (Note 7)	375,055,288
Selling, advertising and administrative	87,529,493
Depreciation and amortization	10,888,945
Interest and amortization of bond discount	34,382,841
United States and foreign income taxes	19,833,749
Total	527,690,316
Earnings Before Extraordinary Item	$ 26,339,279

Note 7: Excise Taxes—Excise taxes of $145,723,302 paid on sales of manufactured products in 1969 are included in "sales of manufactured products and revenues of theatres and hotel operations" and "cost of goods sold and operating costs" in the accompanying statement of consolidated earnings and earnings retained in the business.

FORD MOTOR COMPANY
Financial Review

	1969	1968
	(in millions)	
Provisions for income taxes	$ 554.4	$ 656.5
Social security and state and local taxes not based on income	293.3	284.4
Total, excluding excise taxes	847.7	940.9
U.S. manufacturers' excise taxes*	620.7	616.0
Total provision for taxes	$1,468.4	$1,556.9

*Excluded from both sales and costs in financial statements.

PHILLIPS PETROLEUM COMPANY

Costs and Expenses:	
Cost of sales and services	$1,486,739,000
Selling, general, and administrative expense	270,495,000
Depreciation, depletion, amortization, and retirements	195,099,000
Interest and expense on indebtedness	49,558,000
Taxes other than income taxes*	53,826,000
Provision for income taxes	43,833,000
	$2,099,550,000

*In addition, taxes of $239,000,000 in 1969 and $231,000,000 in 1968 were collected on the sale of petroleum products and paid to taxing agencies.

FOREIGN OPERATIONS

Chapter 12 of *Accounting Research Bulletin 43,* issued in 1953 by the committee on accounting procedure of the American Institute of Certified Public Accountants, and *Opinion No. 6,* issued in 1965 by the Accounting Principles Board of the Institute, present a summary of generally accepted accounting principles pertaining to the treatment of foreign exchange.

TRANSLATION OF ASSETS, LIABILITIES, LOSSES, AND GAINS

Of the 457 survey companies referring to foreign operations in their 1969 annual reports, 218 used a

TABLE 3-22: FOREIGN OPERATIONS—TRANSLATION TERMINOLOGY

Terms Used	1969	1968	1967
Translated	137	125	115
Converted	45	44	45
Stated or expressed	21	18	21
Included	11	11	9
Other	4	4	
Number of Companies			
Using descriptive words	218	202	190
Not describing translation process	239	230	210
Not making reference to foreign operations	143	168	200
Total	600	600	600

term for describing the translation of foreign currency accounts into United States dollars. Table 3-22 shows the terms used.

Few of the 218 companies described their translation policies in detail. Thirty-nine companies discussed inventories, of which 31 used the year-end exchange rate and two used actual United States dollar costs. Of sixteen companies discussing long-term assets and liabilities, ten applied current exchange rates and six applied historical rates.

Examples illustrating the description of the translation process follow.

Translated

AIR PRODUCTS AND CHEMICALS INC.
Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—The Consolidated financial statements include the accounts of the Company and all of its wholly owned and majority-owned subsidiaries both foreign and domestic.

With respect to foreign currency items, the prevailing rates of exchange at September 30, 1969, have been used in translating the current assets and liabilities. The adjustments on these translations are not significant. Capital assets have been translated at the rates of exchange in effect when such assets were acquired. The income accounts have been translated at the average rates of exchange prevailing during the fiscal year, except that depreciation charges have been translated at the rate of exchange in effect when the related capital assets were acquired. All long-term debt of the European subsidiaries has been translated at the current exchange rate and the resultant adjustments have been reflected in accumulated depreciation and are being amortized over the remaining lives of the related pledged assets.

The Company permanently reinvests the earnings of European subsidiaries in European operations, and accordingly, the Company has not made any provisions for relatively immaterial amounts of United States income taxes (net of foreign tax provision) that would have been due if dividends had been declared.

AMERICAN BRANDS, INC.
Notes Accompanying Financial Statements

Principles of Consolidation (in part): The consolidated financial statements include the accounts of the Company and all domestic and foreign subsidiaries.

Accounts of foreign subsidiaries have been translated at appropriate rates of exchange. The consolidated financial statements include the following amounts related to operations outside the Western Hemisphere:

	(in thousands)
Total assets	$391,982
Total liabilities (excluding minority interest)	154,958
Minority interest	88,053
Net income	15,653

BOISE CASCADE CORPORATION
Notes to Financial Statements

Note 1 (in part): *Principles of Consolidation and Accounting*—The financial statements include the accounts of the Corporation and all subsidiaries in which it holds a majority interest (see Note 3 with respect to a subsidiary being sold). Current assets and liabilities of foreign subsidiaries have been translated to U.S. dollars at rates of exchange in effect at the balance sheet dates and the remaining accounts have been translated at appropriate historical exchange rates. Statements of income have been translated at exchange rates effective during the periods covered. Income from foreign sources (including Canada) contributed 25% of net income in 1969 and 29% in 1968. The Corporation's net investment in foreign countries was $434,500,000 at December 31, 1969.

EASTMAN KODAK COMPANY
Notes to Financial Statements

Principles of Consolidation—The consolidated financial statements include all subsidiary companies, the majority of whose capital stock is owned or controlled by the company.

The excess of the cost of investments in subsidiaries acquired since 1965, over the value ascribed to the company's equity in such subsidiaries at the time of acquisition, is amortized over the succeeding 15-year period.

The financial statementes of subsidiaries operating outside the U.S. are translated into U.S. dollar equivalents generally at official exchange rates applied as follows:

1. Net current assets, except inventories, and long-term debt at fiscal year-end rates.
2. Inventories, properties and accumulated depreciation, and deferred income taxes at rates applicable to the time of acquisition or deferment. (In prior years, inventories were translated at fiscal year-end rates; this change did not affect 1969 net earnings significantly.)
3. Net earnings at average rates with dollar equivalents adjusted for exchange differences resulting from the foregoing procedures.

INTERNATIONAL BUSINESS MACHINES CORPORATION
Notes to Consolidated Financial Statements

Foreign Operations—Net assets employed in foreign operations are summarized below together with a comparison of gross income and net earnings from these operations.

Current assets	$1,291,618,752
Current liabilities	735,543,554
Net current assets	556,075,198
Other investments and sundry assets	28,612,924
Plant, rental machines, and other property, net	1,329,979,790
	1,914,667,790
Deferred income taxes	25,195,401
Reserves for employees' indemnities and retirement plans in certain countries	68,382,659
Long-term indebtedness	328,571,353
	422,149,413
Net assets employed in foreign operations	$1,492,518,377
Gross income from sales, service and rentals in foreign countries	$2,495,992,944
Net earnings from foreign operations	$ 397,783,172

Foreign assets and liabilities have been translated to U.S. dollars at year-end exchange rates, except that plant, rental machines and other property and long-term indebtedness have been translated at approximate rates prevailing when acquired or incurred.

Income and expense items have been translated at average rates of exchange prevailing during the year, except depreciation which has been calculated at the approximate rates prevailing when the properties were acquired.

KENNECOTT COPPER CORPORATION
Notes to Financial Statements

Note 3: Foreign Operations—Foreign currency amounts included in the consolidated balance sheets have been translated into U.S. dollar equivalents at appropriate rates of exchange: current assets and current liabilities at year-end exchange rates; property accounts, investments, long-term debt, etc., at the rates of exchange in effect at date of acquisition or issuance; depreciation and depletion reserves are based on U. S. dollar costs. Foreign currency amounts have been included in the consolidated statements of income at appropriate rates of exchange.

Approximately 19% of net current assets and 19% of all assets shown in the 1969 consolidated balance sheet are outside the United States. Net income derived from foreign sources represents approximately 17% of 1969 consolidated net income. The Company's foreign assets are principally in Chile, Canada and Australia.

OWENS-ILLINOIS, INC.
Notes to Financial Statements

Note 1: Basis of Consolidated Accounts—The consolidated financial statements include the accounts of all active subsidiaries except five foreign companies. Considered in the aggregate the excluded subsidiaries are not material in relation to consolidated assets or revenues. Three minor foreign subsidiaries were consolidated for the first time in 1969 resulting in a nominal increase in revenues and net earnings.

In translating foreign currency amounts into dollars, inventories, fixed assets, and equity investments have been stated at exchange rates in effect when acquired; monetary assets and liabilities at rates prevailing at the balance sheet date; and income and expenses at average rates, except depreciation, which is based upon the equivalent dollar costs of the assets. Exchange gains and losses arising in translation have been included in income.

WESTVACO CORPORATION
Notes to Financial Statements

Note A (in part): *Principles of Consolidation*—The consolidated financial statements include the accounts of all subsidiaries which are substantially wholly owned. In consolidation, foreign currency income statement and balance sheet accounts [located principally in Brazil] have been translated at appropriate current or historical rates on a basis consistent with the prior year.

PALL CORPORATION

Note 1 (in part): *Consolidation of Statements*—The Consolidated Balance Sheet at July 31, 1969 includes the following United States dollar amounts in respect of the consolidated foreign subsidiaries:

Current assets	$3,637,842
Net fixed assets	2,959,189
Intangibles and other assets	220,642
Current liabilities	1,979,851
Long-term debt	362,400
Capitalized lease obligations	1,207,047
Unrealized gain on foreign exchange	95,306

Foreign currency amounts have been translated into United States dollars on bases which conform to accepted accounting practice. Assets and liabilities (with the exception of fixed assets, which were translated at exchange rates in effect at dates of acquisition) were translated at exchange rates in effect at July 31, 1969 which were $2.40 to the pound sterling, $0.93 to the Canadian dollar, $0.25 to the deutschmark and $0.08 to the Mexican peso. Income and expense items were translated at the same rates. Unrealized gain on foreign exchange of $95,306 has been deferred in the accompanying balance sheet.

Stated or Expressed

COMMERCIAL SOLVENTS CORPORATION
Notes to Financial Statements

Basis of Financial Statements and Investment in Subsidiary—The consolidated financial statements include the accounts of all subsidiaries except a 51% owned Italian company. This non-consolidated subsidiary is carried at cost, and dividends received of $83,000 during 1969 were approximately equal to equity in earnings. The Company's equity in the net assets of this subsidiary at December 31, 1969 was approximately $942,000, which approximates the amount at December 31, 1968 after adjustment.

The accounts of consolidated foreign subsidiaries are expressed in U.S. dollars at appropriate rates of exchange.

STANLEY HOME PRODUCTS, INC.
Notes to Consolidated Financial Statements

Note 1: Basis of Consolidation—The financial statements include the accounts of Stanley Home Products, Inc. and all subsidiary companies, both domestic and foreign. The financial operations of Foster & Gallagher, Inc. and F. P. Adams Company, Inc. have been recast from fiscal year closings of June 30 to reflect operating results for a calendar year.

The net assets and results of operations of subsidiaries and a branch which are operating in foreign countries are stated at current rates of exchange.

Included

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 assets of subsidiaries and branches outside the United States and Canada at December 31, 1969, and December 31, 1968, were as follows:

	1969	1968
Net current assets	$19,970,000	$16,330,000
Total net assets	55,720,000	49,510,000

Of the total net earnings from business outside the United States and Canada, $10,920,000 for the year ended December 31, 1969, and $9,640,000 for the year ended December 31, 1968, were earned in other than United States and Canadian funds.

Operations of subsidiaries and branches outside the United States have been included in the consolidated statement of net earnings on the basis of the applicable rates of exchange during the year. Current assets and current liabilities have been included in the balance sheet at the prevailing rates of exchange at December 31, 1969, and property, plant, and equipment have been included at the approximate United States dollar cost at date of acquisition.

FOREIGN EXCHANGE ADJUSTMENTS

In December 1966, the Accounting Principles Board of the American Institute of Certified Public Accountants issued *Opinion No. 9, Reporting the Results of Operations.* This Opinion modifies Chapter 12, *Foreign Operations and Foreign Exchange* (paragraph 21)

TABLE 3-23: FOREIGN EXCHANGE ADJUSTMENTS

Foreign Country	1969	1968	1967	1965
Germany	20	—	—	—
France	19	—	—	—
Latin American Countries	10	11	18	15
Canada	4	7	7	5
Britain	2	23	53	—
Other	6	5	14	2
Not identified	58	48	45	21
Total	119	94	137	43
Accounting Treatment				
Income charge or credit	70	40	58	14
Extraordinary item	15	12	13	18
Charged to reserve	20	7	40 (Charged to reserve, Hedging procedures, Other combined)	11 (Charged to reserve, Hedging procedures, Other combined)
Hedging procedures	8	9		
Other	6	12		
Total	119	80	111	43
Number of Companies				
Disclosing exchange gains and losses	92	78	109	43
Not disclosing such items	508	522	491	557
Total	600	600	600	600

of *Accounting Research Bulletin No. 43.* In the Opinion, the Accounting Principles Board set forth criteria for extraordinary items related to the current period and provided for their disclosure in the income statement before "Net Income." Among such items was ". . . (e) a major devaluation of a foreign currency." The Board further stated that ". . . (c) gains or losses from fluctuations of foreign exchange . . ." " . . . do not constitute extraordinary items (or prior period adjustments) because they are of a character typical of the customary business activities of the entity."

The Board also furnished criteria for excluding items from the determination of net income. Gains or losses due to fluctuations in foreign exchange or to major devaluations of foreign currency were not among the items to be excluded from net income.

During the past several years, foreign exchange adjustments have been incurred by companies doing business in a number of countries. In 1969, such adjustments were caused principally by a continued decline in the value of several Latin American currencies, a devaluation of the French franc, and a revaluation of the West German deutschmark.

Examples of foreign exchange adjustment disclosures follow.

Income Charge (Credit)

AMERICAN HOME PRODUCTS CORPORATION

Cost of goods sold	$551,837,618
Selling, administrative and general expenses	399,980,577
Interest expense	2,479,763
Other deductions, including foreign losses and exchange adjustments of $1,998,921 in 1969	3,415,162
	$957,713,120

Notes to Consolidated Financial Statements

Note 1: Foreign operations—The financial statements include net foreign assets at December 31, 1969 and foreign net income for the year then ended as shown below. Comparable foreign net income for the year ended December 31, 1968 was $22,178,567 after a provision of $750,375 for foreign losses and exchange adjustments.

	Net Assets	Net Income
Locations:		
Canada	$28,339,914	$ 5,417,981
England, India, Western Europe	27,662,413	11,155,642
Latin America	23,985,284	7,282,791
Australia, New Zealand, South Africa, Far East	8,998,275	3,101,483
	88,985,886	26,957,897
Provision for foreign losses and exchange adjustments	6,300,000	973,937*
	$82,685,886	$25,983,960

*The provision of $973,937, charged to 1969 consolidated net income, brought the balance in the reserve for foreign losses and exchange adjustments to $6,300,000 at December 31, 1969. This reserve had been charged during 1969 with exchange conversion adjustments of $773,937.

Foreign property, plant and equipment and related depreciation, in general, were translated into U.S. dollars at rates of exchange in effect during the year such assets were acquired. All other foreign currency assets and liabilities were translated at rates of exchange prevailing at December 31, 1969. Foreign sales, other income and expenses, in general, were translated into U.S. dollars at rates of exchange prevailing at the end of each month during the year.

INTERNATIONAL HARVESTER COMPANY
Basis of Financial Statements

Translation of Foreign Currencies—Inventories and property in foreign countries have been translated into United States dollar equivalents generally at exchange rates prevailing at the time of their acquisition. It is the policy of the Company to translate local currency values of other assets and liabilities at the official or controlled exchange rates prevailing at the end of the fiscal year. Revenues, costs and expenses are translated at the average exchange rates for the year, except that depreciation and inventories charged to cost of sales are translated at the time the related assets were acquired.

Unrealized losses resulting from translations are charged against income, and unrealized gains are credited to a reserve for exchange adjustments; however, unrealized exchange gains are credited to income to the extent that unrealized losses had been charged thereto in prior years.

ELI LILLY AND COMPANY

Costs and Expenses	
Manufacturing costs of products sold	$183,910,661
Research and development	54,778,203
Marketing	94,534,998
Shipping	13,580,752
General administrative	51,394,520
Foreign exchange losses—Notes A and B	143,131
Other deductions	6,383,220
	$404,725,485

Note A: Principles of Consolidation—The accounts of all wholly owned subsidiaries are included in the consolidated financial statements. Accounts of subsidiaries and branches outside the United States are translated to United States dollars generally—at year-end rates for working capital; at rates on dates acquired for property and equipment accounts; and at average rates for income and expense accounts. Realized losses and gains and unrealized losses on exchange are reflected in the income statement, whereas unrealized gains on exchange are deferred. Investments in 50%-owned companies located in Spain and Japan are included in other assets at cost.

Note B: Operations Located Outside the United States—Financial information with respect to the company's operations conducted by wholly owned subsidiaries and branches located outside the United States follows:

Working capital at end of year	$27,885,000
Net assets at end of year	56,272,000
Net income	21,210,000
Remittances of income and dividends	13,012,000

Remittances to the United States by subsidiaries and branches are subject to various regulations of the respective governments as well as to possible exchange fluctuations.

SYBRON CORPORATION
Notes to Financial Statements

Consolidation (in part)—Financial statements of subsidiaries operating outside the United States have been converted to U.S. dollars at appropriate rates of exchange. Intercompany balances, sales and profits have been eliminated in the consolidated financial statements. Consolidated net income for 1969 and 1968 includes $5,553,000 and $5,272,000, respectively, applicable to operations outside the United States of subsidiaries and 50% owned affiliates. The Statement of Financial Position includes the following net assets of subsidiaries and 50% owned affiliates located outside the United States:

	1969	1968
Net current assets	$21,391,000	$19,240,000
Properties (net) and other non-current assets	25,170,000	19,673,000
	46,561,000	38,913,000
Less—Long-term debt and other non-current liabilities	6,894,000	4,975,000
Net Assets	$39,667,000	$33,938,000

The 1969 revaluation of the German deutschmark and the devaluation of the French franc resulted in a credit to income of $467,000, which is included in the Statement of Income.

UNITED MERCHANTS AND MANUFACTURERS, INC.

Other Deductions, including interest of $21,499,439 and $18,736,420, respectively, and losses attributable to devaluation of currencies in foreign countries of $1,097,995 and $5,030,246, respectively (Note A)	$24,305,350

Note A: Foreign Subsidiary Companies—The net assets of foreign subsidiaries included in the accompanying consolidated balance sheet are summarized as follows:

Net Current Assets	$26,648,366
Property, Plant and Equipment, less reserves for depreciation and amortization	44,936,686
Deferred Charges and Other Assets	4,153,869
	75,738,921
Long Term Debt, less current installments	4,482,104
Other Noncurrent Items	2,883,834
	7,365,938
Net Assets	$68,372,983

Net income of foreign subsidiaries included in consolidated net income for the year ended June 30, 1969, amounted to $5,461,560, which was after deducting (1) losses attributable to the devaluation of the currency of a foreign country (included in other deductions in the accompanying statement of income), (2) $142,702 net loss arising from other declines in foreign rates of exchange used in translation of financial statements to United States dollars, and (3) $619,862 representing income taxes applicable to dividends aggregating $2,054,405 received from foreign subsidiaries during the year.

Investments in foreign countries are subject to exchange regulations. In addition (1) certain Venezuelan subsidiaries are required to maintain in Venezuela an aggregate of approximately $17,000,000 consisting of paid-in capital, capital reserves, earned surplus and foreign credits (including debt to foreign parent or affiliated companies), until indebtedness to banks in Venezuela is liquidated (the Company intends to cause the removal of approximately $9,000,000 of such restrictions, arising from the discounting of notes receivable, during the year ending June 30, 1970) and (2) foreign regulations in certain other countries restrict, under certain circumstances, the transfer of funds from such countries and require the maintenance of statutory and working capital reserves, which as at June 30, 1969 aggregated approximately $5,000,000.

During the current year, the Company revised its policy with respect to presentation in financial statements of losses attributable to the devaluation of Latin American currencies. Because past experience and management's estimate of anticipated future developments indicate such losses to be of a recurring nature, the Company has classified such losses as "other deductions" in the accompanying consolidated statement of income. The consolidated statement of income for the year ended June 30, 1968 has been reclassified to conform to the aforementioned presentation.

Extraordinary Charge

THE PARKER PEN COMPANY

Net Earnings Before Extraordinary Charges	$3,320,835
Extraordinary Charge Net of Applicable Income Taxes:	
Arising from Foreign Currency Exchange Contract and Devaluation (Note 1)	$ 298,907
Net Earnings	$3,021,928

Note 1 (in part): *Consolidated Statements*—The extraordinary charge in 1969 arising from foreign currency exchange contracts and devaluation is attributed in part to the establishment of a reserve of $180,000 net of income taxes for possible losses on foreign currency exchange contracts for the English pound sterling and French franc. These contracts become due during fiscal year 1970, and were entered into to reduce the devaluation losses to the company and its subsidiaries should these currencies be devalued before maturity of the contracts. The remainder of the extraordinary charge represents losses incurred on similar contracts which matured in 1969 and on official devaluation of the Brazilian cruzeiro.

U.S. INDUSTRIES, INC.

Income before extraordinary item	$63,235,000
Extraordinary item—provision for Philippine peso revaluation, net of income taxes of $900,000—Note A	(3,000,000)
Net income	$60,235,000

Note A (in part): *Principles of Consolidation*—Effective February 21, 1970, the Philippine monetary authorities adopted a floating exchange rate as a result of which the Philippine peso will no longer necessarily be exchanged at the parity rate (used in translating the Philippine accounts) of 3.90 pesos to the U.S. Dollar. The Company has provided $3 million as of December 31, 1969, for losses which may be sustained in converting pesos to dollars.

Charged Against Reserve

AMERICAN STANDARD INC.
Financial Review

Reserve for Foreign Operations—Unrealized exchange losses of $3.6 million principally in France and Brazil were charged to the reserve for foreign operations. Unrealized exchange gain of $.5 million in Germany was added to this reserve.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION
Notes to Financial Statements

Foreign Exchange—Procedures followed in translating accounts of foreign subsidiaries into terms of U.S. dollars were consistent with those of preceding years. Net assets are translated, generally, at the applicable rates of exchange in effect at the year-end except for property and investment accounts which are translated at historic rates of exchange. Income accounts are translated, generally, at the average rates of exchange prevailing during the year, except for provisions for depreciation which are translated on the basis of the U.S. dollar equivalents of the related net asset accounts. Foreign exchange gains or losses, including those arising from translation of net assets at year-end, have been included in consolidated net income, except for the extraordinary loss in 1969 on the devaluation of the French Franc, amounting to $2,317,000 after net gain on forward exchange contracts, which has been charged to the reserve for foreign operations.

Hedging Procedures

ACF INDUSTRIES, INCORPORATED
Financial Review (Page 14)

Financing—In April 1969, as stated in the previous annual report, we continued our program of long-term financing in support of car leasing operations with private placement of $28,800,000 in equipment trust certificates. The interest rate was 7⅝%, compared with 6¾% paid a year earlier on $25,050,000 in equipment trust certificates. This increase was in line with the upward trend of interest rates on all forms of borrowing. Total long-term debt was $148,150,000 at December 31, 1969. Long-term debt payments during the year totaled $13,262,000. In September 1969, the Company and one of its U.S. subsidiaries entered into a seven year parallel loan agreement with a British company and its wholly owned U.S. subsidiary wherein the British company loaned one of ACF's English subsidiaries $1,000,000 equivalent in Pounds Sterling, and simultaneously ACF's U.S. subsidiary loaned the British company's U.S. subsidiary $1,000,000. The loans are mutually offsetting. The net effect was to enable ACF to hedge $1,000,000 of its investment in England for seven years against devaluation of the Pound at a cost substantially below the market for such a hedge.

CATERPILLAR TRACTOR CO.
Review of Operations (Page 9)

Foreign Currency Devaluations—The Company has protected itself against loss from devaluation of other countries' currencies vis-a-vis the U.S. dollar by borrowing substantially from sources within the countries where subsidiaries are located and by entering into forward exchange contracts when the prevailing terms are deemed appropriate. In 1969 the Company protected itself further by ar-

ranging that a large share of the exports from subsidiaries in France and Great Britain be paid for in U.S. dollars.

As a result, the devaluation of the French franc in August had no effect on consolidated earnings. Likewise, the Belgian subsidiary, which has outstanding debt in West German deutschmarks, was adequately protected at the time of the revaluation by West Germany in October.

The general effect of these two exchange rate adjustments on the Company's sales should be beneficial since the French subsidiary is a net exporter and West Germany is an importer of Caterpillar products.

Other

INMONT CORPORATION
Notes to the Consolidated Financial Statements

Note 1: Principles of Consolidation—The financial statements include the accounts of Inmont Corporation and all subsidiaries. Assets and liabilities of foreign subsidiaries have been translated into U.S. dollars at year-end exchange rates, except that fixed assets (and related depreciation) have been translated at rates prevailing at dates of acquisition. Income and expense items (other than depreciation) have been translated at rates of exchange prevailing during the year. The French franc devaluation had no significant effect on the financial figures.

LONG-TERM CONSTRUCTION-TYPE CONTRACTS

Accounting Research Bulletin 45, issued in 1955 by the committee on accounting procedure of the American Institute of Certified Public Accountants, includes the following discussion on long-term construction-type contracts:

Percentage-of-Completion Method

4. The percentage-of-completion method recognizes income as work on a contract progresses. The committee recommends that the recognized income be that percentage of estimated total income, either:

(a) that incurred costs to date bear to estimated total costs after giving effect to estimates of costs to complete based upon most recent information, or

(b) that may be indicated by such other measure of progress toward completion as may be appropriate having due regard to work performed.

Costs as here used might exclude, especially during the early stages of a contract, all or a portion of the cost of such items as materials and subcontracts if it appears that such an exclusion would result in a more meaningful periodic allocation of income.

5. Under this method current assets may include costs and recognized income not yet billed, with respect to certain contracts; and liabilities, in most cases current liabilities, may include billings in excess of costs and recognized income with respect to other contracts.

6. When the current estimate of total contract costs indicates a loss, in most circumstances provision should be made for the loss on the entire contract. If there is a close relationship between profitable and unprofitable contracts, such as in the case of contracts which are parts of the same project, the group may be treated as a unit in determining the necessity for a provision for loss.

7. The principal advantages of the percentage-of-completion method are periodic recognition of income currently rather than irregularly as contracts are completed, and the reflection of the status of the uncompleted contracts provided through the current estimates of costs to complete or of progress toward completion.

8. The principal disadvantage of the percentage-of-completion method is that it is necessarily dependent upon estimates of ultimate costs and consequently of currently accruing income, which are subject to the uncertainties frequently inherent in long-term contracts.

Completed-Contract Method

9. The completed-contract method recognizes income only when the contract is completed, or substantially so. Accordingly, costs of contracts in process and current billings are accumulated but there are no interim charges or credits to income other than provisions for losses. A contract may be regarded as substantially completed if remaining costs are not significant in amount.

10. When the completed-contract method is used, it may be appropriate to allocate general and administrative expenses to contract costs rather than to periodic income. This may result in a better matching of costs and revenues than would result from treating such expenses as period costs, particularly in years when no contracts were completed. It is not so important, however, when the contractor is engaged in numerous projects and in such circumstances it may be preferable to charge those expenses as incurred to periodic income. In any case there should be no excessive deferring of overhead costs, such as might occur if total overhead were assigned to abnormally few or abnormally small contracts in process.

11. Although the completed-contract method does not permit the recording of any income prior to completion, provision should be made for expected losses in accordance with the well-established practice of making provision for foreseeable losses. If there is a close relationship between profitable and unprofitable contracts, such as in the case of contracts which are parts of the same project, the group may be treated as a unit in determining the necessity for a provision for losses.

12. When the completed-contract method is used, an excess of accumulated costs over related billings should be shown in the balance sheet as a current asset, and an excess of accumulated billings over re-

lated costs should be shown among the liabilities, in most cases as a current liability. If costs exceed billings on some contracts, and billings exceed costs on others, the contracts should ordinarily be segregated so that the figures on the asset side include only those contracts on which costs exceed billings, and those on the liability side include only those on which billings exceed costs. It is suggested that the asset item be described as "costs of uncompleted contracts in excess of related billings" rather than as "inventory" or "work in process," and that the item on the liability side be described as "billings on uncompleted contracts in excess of related costs."

13. The principal advantage of the completed-contract method is that it is based on results as finally determined, rather than on estimates for unperformed work which may involve unforeseen costs and possible losses.

14. The principal disadvantage of the completed-contract method is that it does not reflect current performance when the period of any contract extends into more than one accounting period and under such circumstances it may result in irregular recognition of income.

Selection of Method

15. The committee believes that in general when estimates of costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable, the percentage-of-completion method is preferable. When lack of dependable estimates or inherent hazards cause forecasts to be doubtful, the completed-contract method is preferable. Disclosure of the method followed should be made.

Seventy-one of the survey companies refer to revenue from long-term contracts. Of the companies that disclose the basis for recognizing income, 28 use the percentage of completion method and five use the completed contract method.

Examples of contract accounting disclosures follow.

TABLE 3-24: ACCOUNTING FOR LONG-TERM CONTRACTS

Basis for Recognizing Income	1969	1968	1967
Percentage-of-completion	28	27	22
Completed contract	5	6	7
Not determinable	38	44	32
Number of Companies			
Referring to long-term contracts	71	77	61
Not referring to such contracts	529	523	539
Total	600	600	600

Income Recognized on Percentage of Completion Basis

AMERICAN ELECTRONIC LABORATORIES, INC.
Notes to the Consolidated Financial Statements

Note B—The Company records as sales, on a percentage-of-completion basis, the costs incurred and related profits or losses on its contracts including fixed-price Government contracts with progress payment provisions. Included in accounts receivable are unbilled costs and related profits of $6,463,286 (1969) and $4,899,840 (1968) in excess of progress billings of $10,136,540 (1969) and $9,273,984 (1968). In addition, costs of $148,727 (1969) and $289,792 (1968) on cost-plus-fixed-fee Government contracts are included.

Accounts receivable, unbilled costs and inventories totaling approximately $12,100,000 at November 30, 1969 have been assigned to the bank as collateral for notes payable of $5,500,000.

THE AMERICAN SHIP BUILDING COMPANY
Notes to Consolidated Financial Statements

Note 1: Contracts—Revenues and costs applicable to certain long-term shipbuilding contracts are included in the statements of income as work progresses. Until 1969, profits were taken into income at the completion of the contracts while estimated losses were provided for in entirety as soon as recognized. In 1969, the Company retroactively changed from the completed-contract method to the percentage-of-completion method of accounting. This change had no effect upon income for the year ended September 30, 1969, or upon income previously reported for 1968. The Company has incurred, or is expected to incur, approximately $11,100,000 in costs over and above the contract prices on certain long-term contracts obtained in 1965 and 1966. Management feels that the Company is entitled to recovery of a substantial portion of these additional costs and is actively pursuing collection thereof. Several claims have been filed for recovery of these costs and other claims are in the process of being prepared. As the ultimate collectibility was and is uncertain, reserves of $5,700,000 against such costs were provided during the fiscal years ending in 1967 and 1968. The performance of such contracts may extend over several years, and revisions in the contract estimates during performance and upon final contract settlements have the effect of including in subsequent accounting periods, adjustments necessary to reflect the results indicated by these revised estimates.

BATH INDUSTRIES, INC.
1969 Financial Report

Long-Term Contract Accounting Procedures—The company follows the practice of recording profits on its long-term shipbuilding contracts by applying the percentages of completion for each year to the estimated final retainable earnings for the respective contracts. The percentages used are furnished by representatives of the U.S. Navy and U.S. Maritime Administration. When the estimate on a contract indicates a loss, it is the company's practice to record the entire loss. That portion of the loss which is allocable to work to be performed in the future is included in current liabilities in the accompanying consolidated balance sheets under the caption, "Reserve for Estimated Future Losses on Contracts in Process."

The performance of long-term shipbuilding contracts extends over several years and requires estimates of both contract prices and future costs of work to be performed. Estimates of both contract costs and prices are revised each year for all known factors, including the estimated effect of change orders and claims. Accordingly, the final profit or loss on contracts is not determined until after the ships have been delivered and in 1969, as in prior years, net sales includes amounts for change orders and claims relating to ships previously delivered.

NORTH AMERICAN ROCKWELL CORPORATION
Notes to Financial Statements

Note 3: Sales Contracts—Sales under United States Government contracts and subcontracts accounted for 61% of total sales in 1969 and 67% in 1968. Approximately 58% of the 1969 sales under United States Government contracts and subcontracts were of the cost type, and approximately 15% were of the fixed-price-incentive type. Many of these contracts provide for cost or performance incentives, whereunder increases in fees or profits are received for surpassing stated targets, or decreases in fees or profits are experienced for failure to achieve such targets.

Sales are recorded under cost-type contracts for costs, as incurred, plus a proportion of the profit expected to be realized on the contract in the ratio that costs incurred bear to total estimated

costs. Sales are recorded under fixed-price-incentive contracts as deliveries are made at the cost of items delivered plus a proportion of the profit expected to be realized on the contract. However, certain performance incentives for which a reasonable prediction of accomplishment cannot be made, generally involving a single opportunity to accomplish a test or demonstration in accordance with established performance criteria, are included in sales at the time there is sufficient information to relate performance to targets or other criteria. Profits expected to be realized on these contracts are based on the Corporation's estimates of total sales value and cost at completion of the contracts. These estimates are reviewed and revised periodically throughout the lives of the contracts, and adjustments to profits resulting from such revisions are recorded in the accounting period in which the revisions are made. Losses on contracts are recorded in full as they are identified.

In accordance with this policy, the Corporation charged in full to earnings for the 1969 year a loss on the F-111 avionics fixed-price-incentive contract. The loss reflected the reaching of a final agreement, after the end of the fiscal year, on the initial portion of that contract at a price less than the Corporation had anticipated in view of prior tentative agreements. The work under the overall contract is about half completed, taking into account changes and additions. The Corporation believes that no further loss on the overall contract will be incurred, but future results of operations will necessarily be affected by actual developments as to cost performance and negotiations on the remaining portion of the contract.

RAYTHEON COMPANY
Notes to Financial Statements

Note B (in part): *Inventories*—The company follows the practice of accruing income from certain fixed price contracts on the percentage of completion method with costs and estimated profits included in sales as work is performed. Accrued income is based on that percentage of estimated total income that incurred costs to date bear to total estimated costs after giving effect to the most recent estimates of cost and funding at completion. On certain fixed price contracts for United States Government business, increased funding has been assumed based on equitable adjustments of contract prices for increased scope and other changes ordered by it. Some contracts contain incentive provisions based upon performance in relation to established targets to which applicable recognition has been given in the contract estimates. Many of these contracts extend over long periods of time and revisions in cost and funding estimates during the progress of work have the effect of adjusting income in the current period applicable to performance in prior periods. When the current contract estimate indicates a loss, provision is made for the total anticipated loss. In accordance with these practices fixed price contracts in progress are stated at cost plus estimated profit but not in excess of realizable value.

THE RUCKER COMPANY
Notes to Financial Statements

Note 3: Method of Accounting for Income from Contracts—The Company generally follows the practice of recording income from contracts on the percentage-of-completion method of accounting. Under this method, income is determined by applying the percentage-of-completion of contracts in each year to the estimated final income, except that projected losses are provided for in their entirety without reference to the percentage-of-completion. As contracts extend over one or more years, revisions in cost and profit estimates during the course of the work are reflected in the accounting period in which the facts which require the revision become known.

WHITE CONSOLIDATED INDUSTRIES, INC.
Notes to Financial Statements

Note B: Inventories—Inventories are priced at lower of cost (principally first-in, first out) or market and consist of the following:

Finished products, merchandise and service parts	$113,382,708
Manufacturing and contract work in process, raw materials and supplies, less progress billings on contracts of $4,280,867	107,072,319
Total	$220,455,027

In 1969 certain of the Corporation's subsidiaries changed their method of accounting for major long-term construction contracts from the completed-contract to the percentage-of-completion method. Under the latter method, income is recognized based on the estimated stage of completion of individual contracts as determined by Corporation engineers. Contract work in process represents the excess of accumulated costs and progress profits over billings on uncompleted contracts.

Accordingly, net sales for 1969 include $62,219,037 of contract revenues related to uncompleted contracts at December 31, 1969, and net income after provision for deferred federal income taxes was increased $2,474,664 or $.24 a share.

Also, in 1969, certain of the Corporation's subsidiaries changed the method of determining cost of certain inventories from the last-in, first-out to the first-in, first-out method. Accordingly, net income after provision for deferred federal income taxes was increased by $883,675 or $.09 a share.

STANRAY CORPORATION
Notes to Financial Statements

Note 3: Accounting for Construction Contracts—The Company records sales and related profits on construction contracts in process at certain subsidiaries on the percentage-of-completion basis. Any estimated losses on contracts in process are recognized in advance of completion to the extent determinable.

Unbilled revenues represent sales recorded as described above for which billings have not been issued under the terms of the contracts.

Income Recognized on Completed Contract Basis

DRAVO CORPORATION
Notes to Consolidated Financial Statements

Long-term Contracts and Joint Ventures—Long-term contracts and joint ventures are not included in income until the year of physical completion; however, provision is made for anticipated losses on uncompleted contracts and joint ventures. Income is recognized on cost-plus-fee contracts as costs are incurred, and on units in manufacturing contracts as each unit is completed.

OTIS ELEVATOR COMPANY
Consolidated Statement of Income and Earnings Retained

	(Dollars in Thousands)
Income:	
Contracts completed and other revenue	$561,001
Interest income	2,518
Total	$563,519

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Contract Bookings—United States contracts booked for 1969 of $367,775,000 compare with the prior year's amount of $278,263,000. The 1969 amount includes the balance of the Port of New York Authority World Trade Center contract of $19,500,000. The 1969 bookings are 32% over the 1968 amounts. International bookings for 1969 of $300,702,000 (including $24,957,000 for Germany) increased 22% over the prior year's amount of $247,049,000. The 1969 booking amounts shown below are again all time highs for our consolidated companies.

	1969	1968
United States	(Thousands of Dollars)	
New Elevators and Escalators	$193,536	122,020
Maintenance Services	80,067	72,930
Modernization and Repair	24,367	24,559
Export	1,458	687
Diversified Operations	68,347	58,067
United States	$367,775	278,263
International		
New Elevators and Escalators	$209,640	171,392
Service and Maintenance	91,062	75,657
International	$300,702	247,049
Total	$668,477	525,312

Contracts completed in 1969 totaled $535,777,000 (including $18,462,000 for Germany), and compare to $460,085,000 for 1968. Other revenue consisting of apportioned administrative and sales overhead costs on uncompleted contracts was $25,224,000 in 1969 compared with $20,670,000 in 1968. The uncompleted contracts at December 31, 1969 amounting to $770,451,000 and the unbilled amount of such contracts of $487,501,000 are both record highs and indicate a substantial backlog of business to start the 1970 year.

The uncompleted contracts in progress for elevator and escalator installations and service contracts shown on the Consolidated Balance Sheet are stated at the standard cost of manufactured products and actual installation costs plus apportioned administrative and sales overhead costs.

MINORITY INTERESTS

Table 3-25 shows that of the 209 survey companies indicating in their 1969 annual reports the existence of minority stockholder interest, 112 disclose in the income statement the amount of minority stockholders' equity. Information on balance sheet treatment of minority interest is presented in Table 2-45.

Examples of income statement presentations of minority interests in consolidated subsidiary companies are shown below.

TABLE 3-25: MINORITY INTERESTS

Income Statement Presentation*	1969	1968	1967	1965
A: Listed among other expenses	53	50	37	42
B: Listed in separate last section after income taxes	59	53	50	40
Other	—	—	3	2
Minority interest exists, but share of income not disclosed	97	99	72	52
Number of Companies				
Disclosing minority interest	209	202	162	136
No minority interest disclosed	391	398	438	464
	600	600	600	600

* Refer to Company Appendix Section—A: 140, 622; B: 443, 572.

Included With Other Expense Captions

AMERICAN BANK NOTE COMPANY

Costs and Expenses:	
Cost of goods sold	$26,583,000
Selling and administrative expenses	4,858,000
Other expenses, net	219,000
Preferred dividend—subsidiary	21,000
	$31,681,000

AMERICAN BILTRITE RUBBER CO., INC.

Costs and Expenses:	
Cost of goods sold	$133,992,220
Selling, general and administrative expenses	24,211,665
Interest	1,707,676
Minority interest in net earnings of subsidiaries	338,291
	$160,249,852

CONTINENTAL OIL COMPANY

Costs, Expenses and Taxes:	
Costs and operating expenses	$1,529,629,000
Selling, general and administrative expenses	210,721,000
Income and other taxes	519,856,000
Depreciation, depletion and amortization	120,031,000
Surrendered leases and dry hole costs	28,899,000
Interest and debt expense	39,771,000
Minority interest in subsidiaries' net income	11,599,000
	$2,460,506,000

INMONT CORPORATION

Income from operations	$22,542,000
Dividends, interest and royalties	926,000
Interest expense	(4,873,000)
Minority interest	(729,000)
Other income, net	301,000
Income before income taxes	$18,167,000

J. RAY McDERMOTT & CO., INC.

Other Income (Expense):	
Interest Expense	$ (2,948,938)
Gain from sale of assets	195,332
Other—Net	2,475,801
Minority interest's share in income of subsidiary	(14,008)
	$ (291,813)

SAFEWAY STORES, INCORPORATED

Other Deductions:	
Interest on debentures and long-term notes	$1,518,246
Earnings of unconsolidated foreign subsidiary	(15,263)
Minority interests in earnings of overseas subsidiaries	101,814
Dividends on preferred stock of Canadian subsidiary	228,357
Other charges—net	2,453,278
	$4,286,432

In Separate Section

CPC INTERNATIONAL INC.

Income before provision for taxes on income	$116,276,058
Provision for United States and foreign taxes on income	59,213,603
	57,062,455
Minority shareholders' interest	1,765,878
Net income for the year	$ 55,296,577

FORD MOTOR COMPANY

	(in millions of dollars)
Income before income taxes	$1,115.1
Provision for Income Taxes	554.4
Income before minority interests	560.7
Minority Interests in Net Income of Consolidated Subsidiaries	14.2
Net Income	$ 546.5

GETTY OIL COMPANY

Income Before Minority Interest and Extraordinary Items	$124,187,000
Less minority interest in income of consolidated subsidiaries	(18,426,000)
Income Before Extraordinary Items	105,761,000
Extraordinary items	13,507,000
Net Income	$119,268,000

THE HOOVER COMPANY

Income Before Income Taxes and Minority Interest	$44,775,006
Provision for income taxes:	
U.S. federal and state	$13,166,767
Foreign	10,278,593
Deferred	(459,452)
	$22,985,908
Income Before Minority Interest	$21,789,098
Minority interest in net income of subsidiaries	4,763,689
Net Income	$17,025,409

MARCOR INC.

Net Earnings from Operations	$67,446,000
Earnings of subsidiaries not consolidated	1,934,000
Minority interest in net earnings of subsidiaries	(2,430,000)
Net Earnings	$66,950,000

MORSE ELECTRO PRODUCTS CORP.

Income before income taxes	$3,478,769
Income taxes	2,016,165
Income before minority interest	1,462,604
Minority interest loss in Canadian subsidiary	6,407
Income before extraordinary item	$1,469,011

EQUITY IN EARNINGS OR LOSSES OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

In its *Opinion No. 10—Omnibus Opinion—1966,* the Accounting Principles Board of the American Institute of Certified Public Accountants modified paragraphs 19 and 20 of *Accounting Research Bulletin 51* (issued in 1959) as they relate to domestic subsidiaries. Paragraph 3 of *Opinion No. 10* states:

> 3. If, in consolidated financial statements, a domestic subsidiary is not consolidated, the Board's opinion is that, unless circumstances are such as those referred to in paragraph 2 of ARB No. 51, the investment in the subsidiary should be adjusted for the consolidated group's share of accumulated undistributed earnings and losses since acquisition. This practice is sometimes referred to as the "equity" method. In reporting periodic consolidated net income, the earnings or losses of the unconsolidated subsidiary (or group of subsidiaries) should generally be presented as a separate item.[4] The amount of such earnings or losses should give effect to amortization, if appropriate, of any difference between the cost of the investment and the equity in net assets at date of acquisition and to any elimination of intercompany gains or losses that would have been made had the subsidiary been consolidated. If desired, dividends received by members of the consolidated group from the unconsolidated subsidiary may be shown parenthetically or by footnote. (See also paragraph 21 of ARB 51, which relates to disclosure of assets and liabilities of unconsolidated subsidiaries.)

TABLE 3-26: EQUITY IN EARNINGS OR LOSSES OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Amount of Equity Disclosed*	1969	1968	1967	1965
A: Shown among other income or expenses	78	80	78	56
B: Shown in separate last section after income taxes	34	35	32	23
C: Disclosed in notes or elsewhere	43	13	N/C	N/C
Number of Companies				
Disclosing amount of current year's equity	155	128	110	79
Not disclosing amount of current year's equity	70	67	64	38
No unconsolidated subsidiaries or affiliates at equity	375	405	426	483
Total	600	600	600	600

N/C—Not compiled.
* Refer to Company Appendix Section—A: 131, 188, 330; B: 126, 268, 528; C: 68, 344, 364.

Table 3-26 shows that 155 survey companies disclosed their equity in the earnings or losses of unconsolidated subsidiaries and affiliates. Of these companies, 112 showed the amount of equity in the income statement. The valuation bases of investments in unconsolidated subsidiaries are summarized in Tables 2-24, 2-25, and 2-26.

Equity Listed in Income Statement With Other Items

APCO OIL CORPORATION

Revenue:	
Gross operating revenue	$92,113,029
Equity in net earnings (loss) of unconsolidated subsidiaries	(1,723,145)
Other revenue	3,071,116
	$93,461,000

[4] Extraordinary items and prior period adjustments may require treatment in accordance with APB Opinion No. 9 if, on a consolidated basis, such items would be material in relation to consolidated net income. Thus, consolidated income before extraordinary items and consolidated net income would be the same as if the unconsolidated subsidiary were fully consolidated.

AMERICAN MOTORS CORPORATION

Costs and Expenses:	
Cost of automotive products sold, other than items below	$603,020,870
Selling, advertising, and administrative expenses	87,389,721
Amortization of tools and dies	23,893,281
Depreciation and amortization of plant and equipment	10,335,175
Cost of pensions for employees	10,650,513
Interest	2,194,889
Equity in net loss of unconsolidated subsidiaries	2,240,810
	$739,725,259

THE CARBORUNDUM COMPANY

	Amount	Percent
Other Income and (Expense):		
Interest and other income	$2,202,000	0.8
Interest expense	(3,568,000)	(1.2)
Foreign exchange adjustments	(40,000)	–
Equity in net income of 50%-owned companies	390,000	0.1
Total other income and (expense)	$(1,016,000)	(0.3)

CUMMINS ENGINE COMPANY, INC.

Other (Expense) or Income:	
Interest expense	$ (3,713,291)
Equity in earnings and (losses) of partially owned international companies (Note 1)	607,373
Interest, royalties, and other income, net	2,889,289
	$ (216,629)

Note 1 (in part): *Consolidation*—Investments in and advances to partially owned companies are recorded at cost, adjusted to reflect the Company's share of undistributed earnings and losses. Cummins equity in the losses of Chrysler-Cummins Limited accounted for the major portion of the equity in net losses of partially owned international companies in 1968. As of April 30, 1968, Cummins acquired all of the outstanding equity securities of Chrysler-Cummins Limited (formerly 50% owned). Since that time, the accounts of this Company are included in the consolidated financial statements.

NATIONAL STEEL CORPORATION

Net sales and other operating revenue	$1,225,052,212
Other income:	
Dividends, interest and miscellaneous	13,433,116
Equity in earnings of unconsolidated subsidiaries	3,747,441
	$1,242,232,769

PHILIP MORRIS INCORPORATED

Operating revenues	$1,142,373,000
Costs and expenses:	
Cost of products sold	454,718,000
Federal and foreign excise taxes on tobacco products	373,333,000
Marketing, administration and research costs	165,591,000
	993,642,000
	148,731,000
Equity in net earnings of unconsolidated subsidiaries:	
Domestic	2,693,000
Foreign	1,813,000
	4,506,000
Operating income of operating companies	$ 153,237,000

SEABOARD ALLIED MILLING CORPORATION

Other income:	
Rent	$ 90,875
Interest:	
Foreign subsidiaries	88,671
Other	23,014
Gain on sale of equity in minority-owned corporation	73,818
Equity in earnings of domestic subsidiaries, not consolidated (Note 1)	168,347
Management and service fees from foreign subsidiaries, not consolidated (Note 1)	112,299
Miscellaneous	64,357
	$621,381

Note 1: Principles of Consolidation and Investment in Affiliates—The consolidated financial statements include the accounts of the Company, all wholly-owned domestic subsidiaries, one of which is a Western Hemisphere corporation, and Seaboard Overseas Limited, a Bahamian corporation. All intercompany transactions have been eliminated. The excess of the Company's equity in the net assets of these subsidiaries over the investments at cost, amounting to $687,973 at May 31, 1969, represents the subsidiaries undistributed earnings since date of acquisition.

The Company's investment in domestic subsidiaries, not consolidated, represents advances to and ownership of 50% interests in three domestic subsidiaries, two of which are operated as joint ventures. The investment in these subsidiaries is carried at the Company's equity in the subsidiaries' net worth, and the Company's equity in the subsidiaries' net earnings has been reflected in other income.

The investment in foreign subsidiaries not consolidated represents advances to and ownership of 50% to 100% interests in three foreign milling subsidiaries. The investments in these subsidiaries are carried at cost, which based upon the latest available unaudited financial statements, was less than the Company's equity in the foreign subsidiaries' net worth. Such financial statements disclose assets of these subsidiaries aggregating $8,675,000.

Equity in Income Shown in Separate Section After Income Tax

ATLAS CHEMICAL INDUSTRIES, INC.

	(All amounts in thousands)
Operating Income	$8,864
Provision for income taxes, including deferred income taxes of $809,000	3,968
Minority interest in net earnings of subsidiaries	58
Earnings from Consolidated Operations	4,838
Equity in Earnings of 50%-Owned Companies	1,753
Net Earnings	$6,591

HALLIBURTON COMPANY

Income before income taxes and net income of wholly-owned insurance subsidiary	$104,940,265
Provision for Income Taxes:	
Federal income taxes—current	31,579,786
Federal income taxes—deferred	9,970,690
State and foreign income taxes	11,248,035
Total provision for income taxes	52,798,511
Income before net income of wholly-owned insurance subsidiary	52,141,754
Net Income of Wholly-Owned Insurance Subsidiary (Note 1)	1,983,628
Net Income	$ 54,125,382

Notes to Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include all wholly-owned subsidiaries except Highlands Insurance Company. The investment in Highlands Insurance Company is reported at cost plus undistributed earnings since date of acquisition.

KIMBERLY-CLARK CORPORATION

	(thousands of dollars)
Income before income taxes	$90,444
Provision for income taxes	41,285
	49,159
Income before:	
Equity in net income of companies approximately 50% owned	2,849
Minority interests	(2,078)
Net income	$49,930

THE KROGER CO.

Income before federal taxes	$65,167,808
Federal income taxes	30,015,000
Income after taxes	35,152,808
Equity in net income of unconsolidated companies	2,235,204
Income before extraordinary item	37,388,012
Gain on sale of investment, net of applicable income taxes	1,342,120
Net income	$38,730,132

F. W. WOOLWORTH CO.

Revenues:	
Sales, including sales from leased departments	$2,272,569,621
Other income	7,376,235
	2,279,945,856
Cost and expenses:	
Cost of sales	1,528,045,875
Selling, general and administrative expenses	589,092,498
Depreciation and amortization	43,713,106
Interest	17,559,577
	2,178,411,056
Pretax income:	
Consolidated companies before income taxes	101,534,800
Income taxes:	
Provision for income taxes	51,933,000
Income:	
Consolidated companies	49,601,800
Equity in income:	
F. W. Woolworth and Co., Limited, England, less provision for U.S. income taxes of $770,000 in 1968 (Note A)	21,056,655
Net income	$ 70,658,455

Note A (in part): *Principles of Consolidation and Translation of Foreign Currencies*—The consolidated financial statements include the accounts of the Company and all subsidiaries except F. W. Woolworth and Co., Limited, England, of which the Company owns 52.7% of the outstanding ordinary shares. This investment is carried in the consolidated financial statements at the Company's equity in the British company's net assets, and the Company's equity in the net income of the British company for the year has been included in consolidated income; to conform with American accounting practice such equity amounts have been computed on a basis which excludes the effect of a 1963 appraisal write-up of the British company's freehold and leasehold properties, a practice which though acceptable for the accounts in England has not gained acceptance in this country.

A summary of the financial position and net income of the Company's foreign subsidiaries and its equity in their net assets and net income is presented on page 29.

In consolidation, foreign currency accounts have been translated to U. S. dollars at appropriate exchange rates. On October 27, 1969 the German government revalued the German deutsche mark, thereby increasing the official rate of exchange from U. S. 25¢ to approximately U. S. 27.3¢, which did not have a material effect on the accompanying financial statements.

Summary of Foreign Subsidiaries

	(In thousands of dollars)
F. W. Woolworth and Co., Limited, England (Unconsolidated subsidiary)	
Current assets	$157,966
Properties, net	327,390
Total assets	485,356
Current liabilities	91,083
Other liabilities and reserves	50,027
Total liabilities	141,110
Net assets	$344,246
Company's equity in net assets	$178,817
Investment in subsidiary, at cost	(63)
Excess of equity over cost (included in consolidated retained earnings)	$178,754
Sales	$747,943
Income before charges shown below	$ 98,982
Depreciation and amortization	9,027
Taxes on income	43,195
	52,222
Net income	$ 46,760
Company's equity in net income	$ 21,056
Received in dividends	(20,319)
Company's equity in undistributed earnings	$ 737

Properties and related depreciation shown above exclude the effect of the appraisal write-up referred to in Note A. In April 1969, the rate of corporation tax applicable to the nine months ended December 31, 1968 was fixed by the British Government at 45%. The company had provided for the applicable period at a 42½% rate; accordingly, an additional provision of $2,160,000 for taxes on income has been made in 1969. In computing the Company's equity in net assets and net income, provision has been made for foreign withholding taxes applicable to dividends received or expected to be received from earnings of the respective years. United States income taxes payable on dividends received from foreign subsidiaries in 1969 were negligible because of allowable foreign tax credits; such taxes, if any, on future dividends would be reduced by the applicable foreign tax credit.

Equity in Income Disclosed in Notes to Financial Statements

AMERADA HESS CORPORATION
Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—The consolidated financial statements include the accounts of Amerada Hess Corporation and all wholly-owned subsidiaries.

Investments in affiliated companies approximately 50% owned are stated at cost of acquisition, adjusted to give effect to subsequent earnings, dividends received and the amortization of any premium paid above underlying book value. The increase in such equity amounted to $1,724,351 in 1969 and $1,521,544 in 1968, and is included in other revenues in the Statement of Consolidated Income.

CARRIER CORPORATION
Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—As of October 31, 1969, the equity of the Corporation in the net assets of its unconsolidated Japanese subsidiary (75.1% owned) exceeded its investment therein by approximately $3,400,000. The equity of the Corporation in this subsidiary's net profit for the year then ended approximated $642,000, of which $189,000 was received as dividends during the year and included in consolidated earnings. The corresponding amounts for 1968 were $691,000 and $158,000 respectively.

Note 2: Distribution Credit Corporation (DCC)—Distribution Credit Corporation, a wholly owned subsidiary, purchases certain trade notes from the Corporation without recourse. At October 31, 1969, DCC held $9,074,000 of such notes, compared with $9,767,000 at October 31, 1968.

The accounts of DCC are not included in the accompanying financial statements; however, the corporation follows the practice

of including the net profit of this subsidiary in its consolidated earnings through an increase in the related investment account. The amounts thus reflected were $197,599 in 1969 and $217,120 in 1968. The balance sheets of DCC as of October 31, 1969 and 1968, are set forth on page 27.

JEWEL COMPANIES, INC.
Notes to Consolidated Financial Statements

Investments (in part): The carrying basis of the investment in MIDCO, S.A., Mexico, and its real estate affiliate exceeds the Company's equity in the book value of underlying net assets at date of acquisition by approximately $14,750,000. After adjusting depreciation to U.S. standards and after providing for U.S. federal income taxes which would be payable upon repatriation of earnings, the Company's equity in net earnings of MIDCO, S.A. and its affiliate for the period from November 15, 1969 (date of acquisition) to year end was $556,000 and has been included in foreign net earnings.

VEEDER INDUSTRIES INC.
Notes to Consolidated Financial Statements
Financial Review

Note D: Unconsolidated Associate Companies—The Company's investments in and advances to its unconsolidated Brazilian subsidiary and a 50% owned West German company are stated at cost less reserves. The Company's equity in their net assets exceeded the carrying amount of the investments by $278,207. The Company's share of the combined net income of the two companies amounted to $303,629 for 1969, and dividends paid to the parent company were $50,000. Reserves of $551,402 have been provided against the Company's investments in and advances to the two companies by charges against income in prior years. These reserves were reduced by $176,725 through credits to income during 1969.

Deducted from Consolidated Costs or Expenses

THE MEAD CORPORATION

Net Sales	$1,031,746,968
Other Revenues	4,295,745
Equity in Earnings Before Taxes of Jointly-Owned Companies (Note E)	5,090,888
	$1,041,133,601

Note E: Additional Information—Reference is made to pages 1-3 of the Financial Review section for additional information regarding jointly-owned companies; capital shares; long-term liabilities; retirement plans; depreciation policy; and description of expansion program.

Jointly-owned Companies (in part)—All the jointly-owned companies with the exception of British Columbia Forest Products are 50% owned. In 1969, the Corporation, jointly with Noranda Mines Limited of Canada, acquired approximately 60% voting control of British Columbia Forest Products. Mead and Noranda have agreed that their ownership will be held equally and that their shares will be voted by Northwood Pulp Limited, which is owned 50% each by Mead and Noranda.

Mead's share of pre-tax earnings for the year was $10,636,779 of which $5,545,891 has been offset against Mead's cost of materials. Applicable taxes on these earnings of $4,384,000 are included in the provision for taxes. Mead's net share of equity in the net earnings of affiliates has been increased to give effect to anticipated future income tax benefits, where appropriate, after considering the effect of depreciation which has been deferred for tax purposes.

J. C. PENNEY COMPANY, INC.
1969 Review of Operations and Financial Information

Operations of Unconsolidated Subsidiaries (in part): Net income of J. C. Penney Financial Corporation rose to $11.6 million in 1969 from $7.5 million in 1968. Financial's income before Federal income taxes is reflected in the parent company's statement of income as an offset against interest expense. Provision for Financial's Federal income tax obligation is included in Federal income taxes in Penney's statement of income.

Financial's earnings are not derived from service charges on customer receivables. They are generated mainly from monthly charges to the parent company. These charges are designed to cover Financial's fixed charges, chiefly interest on borrowings, at least one and a half times.

Insurance operations profitable: During 1969 J. C. Penney Insurance Company and J. C. Penney Life Insurance Company completed their second full year of offering insurance by mail to Penney charge account customers. The companies are authorized to sell accident and health insurance in all states and life insurance in 41 states. Combined results of the two companies were:

	(In millions)
Premiums written	$7.3
Underwriting income	1.6
Investment income	.4
Income before Federal income taxes	2.0
Federal income taxes	1.0
Net income	$1.0

Net income of the insurance companies has been reflected in Penney's statement of income as a reduction of selling, general and administrative expenses.

LAST SECTION OF INCOME STATEMENT

Reference has been made under Tables 3-25 and 3-26 to charges and credits, other than extraordinary items, which are shown after income taxes. Table 3-27 summarizes the number of survey companies presenting such charges and credits. An example of such a presentation is shown below.

RICHFORD INDUSTRIES, INC.

Income before federal income taxes	$2,015,297
Federal income taxes:	
Currently payable	758,259
Deferred	249,834
	1,008,093
Income—continuing operations	1,007,204
Loss—discontinued operations (net of income tax credits—$66,662 in 1969)	(59,590)
Net income	$ 947,614

Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries,

TABLE 3-27: SEPARATE LAST SECTION AFTER TAXES

Charge or Credit to Income	1969	1968
Minority interest	59	53
Equity in income of subsidiary or affiliate	34	35
Gain or loss on discontinued operations	7	6
Other	6	9
Total	106	103
Number of Companies		
Presenting separate last section	93	88
Not presenting separate last section	507	512
Total	600	600

all of which are wholly-owned. Intercompany items and transactions have been eliminated in consolidation.

In May 1969 the Company distributed to its stockholders, as a dividend, all of the outstanding shares of two wholly-owned subsidiaries. The accompanying statement of income reflects as "loss-discontinued operations," the operating results of such subsidiaries and excludes their net sales which were $526,873 in 1969 and $1,222,543 in 1968.

The excess of investment cost over fair value of the net assets of companies acquired on a purchase basis has been capitalized as an intangible which, in management's opinion, insofar as is presently determinable, represents an asset of unlimited life and no attrition through periodic amortization is anticipated.

EXTRAORDINARY ITEMS

Opinion No. 9—Reporting the Results of Operations, published in December 1966 by the Accounting Principles Board of the American Institute of Certified Public Accountants, supersedes Chapter 8, as well as other parts, of *Accounting Research Bulletin 43,* issued in 1953 by the committee on accounting procedure.

Opinion No. 9 states in part:

3. This Opinion (a) concludes that net income should reflect all items of profit and loss recognized during the period except for prior period adjustments, with extraordinary items to be shown separately as an element of net income of the period, (b) specifies the criteria to be used in determining which items, if any, recognized during the current period are to be considered extraordinary items, (c) specifies the criteria to be used in determining which items, if any, recognized during the current period are to be considered prior period adjustments and excluded from net income for the current period and (d) specifies the statement format and terminology to be used and the disclosures to be made when extraordinary items or prior period adjustments are present.

4. This Opinion also specifies the method of treating extraordinary items and prior period adjustments in comparative statements for two or more periods, specifies the disclosures required when previously issued statements of income are restated and recommends methods of presentation of historical, statistical-type financial summaries which include extraordinary items or are affected by prior period adjustments. . . .

. . . .

17. . . . *Extraordinary Items should* . . . be segregated from the results of ordinary operations and shown separately in the income statement, with disclosure of the nature and amounts thereof . . .

18. With respect to *prior period adjustments,* the Board has concluded that those rare items which relate directly to the operations of a specific prior period or periods, which are material and which qualify under the criteria described in paragraphs 23 and 25 below should, in single period statements, be reflected as adjustments of the opening balance of retained earnings. When comparative statements are presented, corresponding adjustments should be made of the amounts of net income (and the components thereof) and retained earnings balances (as well as of other affected balances) for all of the periods reported therein, to reflect the retroactive application of the prior period adjustments. (See paragraph 26 for required disclosures of prior period adjustments.)

. . . .

21. The segregation in the income statements of the effects of events and transactions which have occurred during the current period, which are of an extraordinary nature and whose effects are material requires the exercise of judgment. (In determining materiality, items of a similar nature should be considered in the aggregate. Dissimilar items should be considered individually; however, if they are few in number, they should be considered in the aggregate.) Such events and transactions are identified primarily by the nature of the underlying occurrence. They will be of a character significantly different from the typical or customary business activities of the entity. Accordingly, they will be events and transactions of material effect which would not be expected to recur frequently and which would not be considered as recurring factors in any evaluation of the ordinary operating processes of the business. Examples of extraordinary items, assuming that each case qualifies under the criteria outlined above, include material gains or losses (or provisions for losses) from (a) the sale or abandonment of a plant or a significant segment of the business,[2] (b) the sale of an investment not acquired for resale, (c) the write-off of goodwill due to unusual events or developments within the period, (d) the condemnation or expropriation of properties and (e) a major devaluation of a foreign currency. As indicated above, such material items, less applicable income tax effect, should be segregated, but reflected in the determination of net income.

22. Certain gains or losses (or provisions for losses), regardless of size, do not constitute extraordinary items (or prior period adjustments) because they are of a character typical of the customary business activities of the entity. Examples include (a) write-downs of receivables, inventories and research and development costs, (b) adjustments of accrued contract prices and (c) gains or losses from fluctuations of foreign exchange. The effects of items of this nature should be reflected in the determination of income before extraordinary items. If such effects are material, disclosure is recommended.

23. Adjustments related to prior periods—and thus excluded in the determination of net income for the current period—are limited to those material adjustments which (a) can be specifically identified with and directly related to the business activities of par-

[2] Operating results prior to the decision as to sale or abandonment should not be considered an element of the extraordinary gain or loss.

ticular prior periods, and (b) are not attributable to economic events occurring subsequent to the date of the financial statements for the prior period, and (c) depend primarily on determinations by persons other than management and (d) were not susceptible of reasonable estimation prior to such determination. Such adjustments are rare in modern financial accounting. They relate to events or transactions which occurred in a prior period, the accounting effects of which could not be determined with reasonable assurance at that time, usually because of some major uncertainty then existing. Evidence of such an uncertainty would be disclosure thereof in the financial statements of the applicable period, or of an intervening period in those cases in which the uncertainty became apparent during a subsequent period. Further, it would be expected that, in most cases, the opinion of the reporting independent auditor on such prior period would have contained a qualification because of the uncertainty. Examples are material, nonrecurring adjustments or settlements of income taxes, of renegotiation proceedings or of utility revenue under rate processes. Settlements of significant amounts resulting from litigation or similar claims may also constitute prior period adjustments.

24. Treatment as prior period adjustments should not be applied to the normal, recurring corrections and adjustments which are the natural result of the use of estimates inherent in the accounting process. For example, changes in the estimated remaining lives of fixed assets affect the computed amounts of depreciation, but these changes should be considered prospective in nature and not prior period adjustments. Similarly, relatively immaterial adjustments of provisions for liabilities (including income taxes) made in prior periods should be considered recurring items to be reflected in operations of the current period. Some uncertainties, for example those relating to the realization of assets (collectibility of accounts receivable, ultimate recovery of deferred costs or realizability of inventories or other assets), would not qualify for prior period adjustment treatment, since economic events subsequent to the date of the financial statements must of necessity enter into the elimination of any previously-existing uncertainty. Therefore, the effects of such matters are considered to be elements in the determination of net income for the period in which the uncertainty is eliminated. Thus, the Board believes that prior period adjustments will be rare.

. . . .

26. When prior period adjustments are recorded, the resulting effects (both gross and net of applicable income tax) on the net income of prior periods should be disclosed in the annual report for the year in which the adjustments are made.[3] When financial statements for a single period only are presented, this disclosure should indicate the effects of such restatement on the balance of retaining earnings at the beginning of the period and on the net income of the immediately preceding period. When financial statements for more than one period are presented, which is ordinarily the preferable procedure,[4] the disclosure should include the effects for each of the periods included in the statements. Such disclosures should include the amounts of income tax applicable to the prior period adjustments. Disclosure of restatements in annual reports issued subsequent to the first such post-revision disclosure would ordinarily not be required.

. . . .

28. The Board reaffirms the conclusion of the former committee on accounting procedure that the following should be excluded from the determination of net income or the results of operations under all circumstances: (a) adjustments or charges or credits resulting from transactions in the company's own capital stock, (b) transfers to and from accounts properly designated as appropriated retained earnings (such as general purpose contingency reserves or provisions for replacement costs of fixed assets) and (c) adjustments made pursuant to a quasi-reorganization.

TABLE 3-28: EXTRAORDINARY ITEMS IN INCOME STATEMENT

	1969			1968
Nature of Extraordinary Item	Debit	Credit	Total	Total
Carry-forward of net operating loss	—	24	24	22
Other tax adjustments	3	9	12	6
Sale or other disposal	33	79	112	113
Foreign exchange adjustments	6	4	10	12
Disposal of discontinued operation	41	3	44	47
Other	29	16	45	36
	112	135	247	236
Number of Companies Presenting				
Extraordinary items			156	163
No extraordinary items			444	437
			600	600
Prior period adjustments—see Table 4-6			62	63
Direct charges or credits to retained earnings (other than capital items and pooling adjustments)—see Table 4-7			25	8

In the matter of presentation of extraordinary items, the following excerpt is pertinent:

> 20. . . . the income statement should disclose the following elements:
>
> Income before extraordinary items
> Extraordinary items
> (less applicable income tax)
> Net income
>
> If the extraordinary items are few in number, descriptive captions may replace the caption *extraordinary items* and related notes. In such cases, the first and last captions shown above should nonetheless

[3] The Board recommends disclosure, in addition, in interim reports issued during that year subsequent to the date of recording the adjustments.

[4] See ARB No. 43, Chapter 2A, *Form of Statements—Comparative Financial Statements.*

appear. Similarly, even though material extraordinary items may net to an immaterial amount, they should be positioned and disclosed as indicated above, and the first and last captions shown above should appear. If there are no extraordinary items, the caption *net income* should replace the three captions shown above. The amount of income tax applicable to the segregated items should be disclosed, either on the face of the income statement or in a note thereto. (The amount of prior period adjustments and the amount of income tax applicable thereto should also be disclosed, as outlined in paragraph 26.)

In the matter of historical summaries of financial data, the Board, in *Opinion No. 9:*

27. . . . recommends that the format for reporting extraordinary items described in paragraph 20 be used in such summaries. The Board further recommends that, whenever prior period adjustments have been recorded during any of the periods included therein, the reported amounts of net income (and the components thereof), as well as other affected items, be appropriately restated, with disclosure in the first summary published after the adjustments.

A total of 247 items (112 debits and 135 credits) were shown as *extraordinary items* in the 1969 income statements of the survey companies. Table 3-28, which summarizes the nature of such *extraordinary items,* discloses that the majority of extraordinary credits were gains from sales or other disposals and that the most frequently shown extraordinary charges were disposal costs of discontinued operations. Table 3-29 shows that most charges or credits to income of an unusual or extraordinary nature were reported as *extraordinary items* in accordance with Opinion No. 9.

Examples of *extraordinary items,* except losses from devaluation of foreign currencies, follow. Examples of devaluation losses are presented in connection with Table 3-23.

TABLE 3-29: EXTRAORDINARY ITEMS—MATERIALITY—1969

Listed Among Income Items or Other Costs	Percentage of Materiality*				Total Items
Debits	0-5%	6-10%	11-20%	21+%	
Sale or disposal	9	1	—	—	10
Discontinued operations	6	4	—	—	10
Other	4	—	—	—	4
Total debits	19	5	—	—	24
Credits					
Sale or disposal	23	5	2	3	33
Other	1	—	—	—	1
Total credits	24	5	2	3	34
Total debits and credits	43	10	2	3	58
In Separate Last Section					
Debits					
Discontinued operations	7	7	5	22	41
Sale or disposal	8	4	5	16	33
Other	13	12	5	8	38
Total Debits	28	23	15	46	112
Credits					
Sale or disposal	20	17	12	30	79
Tax adjustments	8	3	3	10	24
Other	14	8	3	7	32
Total credits	42	28	18	47	135
Total debits and credits	70	51	33	93	247

* Ratio of item to net income before extraordinary item.

Tax Adjustments

GETTY OIL COMPANY

Income Before Extraordinary Items	$105,761,000
Extraordinary items—Note 2	13,507,000
Net Income	$119,268,000

Note 2: Extraordinary Items—Extraordinary items included in net income in 1969 are as follows:

Gain on sale of stock of Italian subsidiary, less allocable income taxes of $1,538,000	4,054,000
Reduction in income taxes otherwise payable	9,453,000
	$13,507,000

The reduction in income taxes otherwise payable is caused by an excess of tax deductions over deductions reported for financial accounting purposes and represents the realization of tax benefits relating to charges against income reported in prior years for which no tax benefits were then recognized because of the uncertainty of realization.

FIRST NATIONAL STORES INC.

Income before federal income taxes and extraordinary credit	$1,619,000
Federal income taxes (Note 4):	
Charge in lieu of federal income taxes	(620,000)
Income before extraordinary credit	999,000
Extraordinary credit—elimination of charge in lieu of federal income taxes arising from carryforward of prior year net operating loss (Note 4)	240,000
Net income	$1,239,000

Note 4: Federal Income Taxes—No federal income tax payments are required for 1969 due to the Company's net operating loss carryforward. The charge in lieu of federal income taxes in the consolidated statement of income is comprised of the following:

	1969	1968
Loss carryforward benefits realized	$240,000	—
Tax effect of depreciation charged in prior years and now allowable	380,000	480,000
	$620,000	$480,000

In accordance with recently revised accounting principles the Company has given recognition to a book-tax timing difference relating to depreciation charged to income in prior years which was not then deductible for income tax purposes. As a result of this change the accumulated depreciation has been increased by the

cumulative tax effect of prior years which has been charged to other assets and deferred charges, depreciation charges have been reduced by the amount currently allowable and a charge equivalent to the federal income taxes thereon has been provided. The accounts for 1968 have been restated accordingly. These changes had no effect on net income.

At March 29, 1969 the Company has available as a credit against future taxable income through 1973 a net operating loss carryforward of approximately $3,300,000, of which approximately $880,000 relates to book-tax timing differences. The tax benefits relating to these timing differences will be applied to deferred tax accounts when such benefits are realized.

The Company also has at March 29, 1969 unused investment tax credits amounting to approximately $800,000 expiring at various dates through 1976.

Sale or Abandonment of a Plant or a Significant Segment of the Business

BELL & HOWELL COMPANY

	(000 omitted)
Earnings Before Extraordinary Items	$10,913
Extraordinary items (Note G)	58
Net Earnings	$10,971

Note G: Extraordinary Items—Extraordinary items for the year ended December 31, 1969 include the following:

Special gains from sale of various assets and investments, less applicable income taxes of $494,000	$1,048,000
Provision for loss on discontinuance of the video division, less applicable income tax credit of $1,010,000	$ (990,000)
	$ 58,000

The provision for loss on discontinuance of the division distributing color video cameras and one inch video tape recorders is an estimate of known and anticipated costs relating to the liquidation of the assets and termination of the operations of the division. This estimate is in addition to a $550,000 after tax loss reflected in net income from operations incurred prior to management's decision to discontinue the division. No provision has been made for possible additional loss on certain defective inventories to be returned to the supplying manufacturer; the additional loss if any, relating to these inventories is not presently determinable, but in management's opinion will not be material.

W. F. HALL PRINTING COMPANY

Income before extraordinary loss (per share: $3.38)	$3,390,596
Extraordinary loss on closing and sale of a plant, less federal income tax reduction of $680,000 ($0.53 per share)	537,279
Net income (per share: $2.85)	$2,853,317

POTTER INSTRUMENT COMPANY, INC.

Income Before Extraordinary Items	$1,879,182
Extraordinary items, net of tax (Note 8)	327,106
Net Income	$2,206,288

Note 8: Extraordinary Items—In August, 1968, the Company sold its investment in Business Information Technology, Inc. convertible debentures for $1,500,000, resulting in a net gain of $769,125 after reduction for applicable income taxes of $315,500. In connection with this sale, the Company received notes for $750,000 due in four equal installments commencing July 15, 1970. Interest on these notes, at 1% in excess of the prime commercial loan rate, is receivable quarterly.

During the current year, the Company discontinued its tape random access memory (RAM) product line. The provision for losses arising out of such discontinuance totalled $991,919, which, after reduction for associated tax benefits of $549,000, resulted in a net charge to income of $442,019.

W. R. GRACE & CO.

	(In Thousands)
Income before extraordinary items	$35,131
Extraordinary items net of related income taxes of $28,379,000—Note 5	15,900
Net income	$51,031

Note 5: Extraordinary Items—During the year, the Company disposed of a number of its investments in subsidiary companies and production facilities and established provisions for losses expected to be sustained on future divestments and abandonments. These transactions, and the expropriation referred to in Note 1, resulted in extraordinary gains and losses as set forth below:

	Gross	Tax Effect	Net
		(in thousands)	
Net gain on sale, divestment and expropriation of interests in:			
Miller Brewing Company	$81,069	$27,116	$53,953
Nuclear Fuel Services, Inc.	3,475	495	2,980
Certain Dawbarn Division properties	4,923	1,408	3,515
Certain Latin American and other businesses	(18,188)	1,407	(19.595)
Investment tax and other credits—See Note 2	–	(2,047)	2,047
	71,279	28,379	42,900
less:			
Provisions for losses upon:			
Divestment of certain significant Latin American businesses*	13,000	4,000	17,000
Abandonment of certain chemical facilities**	14,000	(4,000)	10,000
	27,000	–	27,000
	$44,279	$28,379	$15,900

* Certain operations and businesses in Latin America which are not compatible with the Company long range objectives, including a number of chemical, paper and food businesses, are planned to be divested. While negotiations for the sale of the businesses are currently in progress, the completion of their divestment may be extended over a period of several years during which the Company will continue to include the results of their operations in the Consolidated Statement of Income and Retained Earnings. Management presently estimates that the loss from such divestments will be approximately $17,000,000.

** Due to the decline in profitability of the agricultural chemical business, caused primarily by industry overcapacity, production has been discontinued, or will in the near future be discontinued, at certain obsolete plants in the United States and in the Caribbean area. The loss expected to be sustained in connection with the disposal of these and certain other smaller chemical properties is $10,000,000.

"Extraordinary items" in 1968 included a provision of $32,000,000 for the loss expected to be sustained upon the sale of the capital stock of Grace Line Inc. This transaction, which was consummated in December 1969, resulted in a loss of $31,189,000. The excess of the amount provided in 1968 over this loss has been included in 1969 in "Net gain on sale, divestment and expropriation of interests."

Sale of an Investment Not Acquired for Resale

ARDEN-MAYFAIR, INC.

Income before extraordinary items	$1,658,768
Extraordinary item:	
Gain on sale of securities net of applicable federal income taxes of $206,000	539,166
Net income	$2,197,934

KEYSTONE CONSOLIDATED INDUSTRIES, INC.

Earnings before extraordinary item	$3,750,659
Extraordinary item:	
Gain on sale of investment in 1969 net of applicable income tax of $350,000	921,496
Net earnings	$4,672,155

PENN FRUIT CO., INC.

Income before extraordinary items	$ 993,692
Extraordinary items net of applicable income taxes—Note 4	2,133,180
Net income	$3,126,872

Note 4: Extraordinary Items—The extraordinary items consist of a gain from the sale of the investment in the company that formerly provided trading stamps of $2,320,000, net of $1,022,264 income taxes, and costs associated with the discontinuance of stamp-giving conventional store operations of $186,820, net of $236,680 income tax reductions.

SPARTANS INDUSTRIES, INC.

Earnings before extraordinary items	$15,489,013
Extraordinary items (Note M)	8,473,000
Net Earnings (to Statement of Retained Earnings)	$23,962,013

Note M: Sale of Stock of Alexander's and its Realty Affiliate—In December 1968, the stockholdings in Alexander's and its reality affiliate were sold at a profit of $8,473,000 (net of $3,631,000 income taxes). This profit is reflected as an extraordinary item on the consolidated statement of operations.

UNITED STATES SMELTING REFINING AND MINING COMPANY

Income before extraordinary items	$11,538,079
Extraordinary items (Note 7)	10,167,628
Net income	$21,705,707

Note 7 (in part): The extraordinary items comprise:

Gain from sale of investment in Clevite Corporation, less income tax of $4,545,592	$10,863,852
Settlement of civil antitrust actions, less income tax of $778,030	(696,224)
	$10,167,628

Write-off of Goodwill Due To Unusual Events or Developments Within The Period

CELANESE CORPORATION

	(In Millions)
Income Before Extraordinary Items	$76.3
Extraordinary Items, Net of Income Taxes	3.2
Net Income	$79.5

Extraordinary Items—Extraordinary items include:

	1969	1968
	(in millions)	
Gain on sale of petroleum operations, net of taxes of $30.2 million	$ 25.9	$ –
Excess of Cost of Investments Over Related Equities	(22.7)	–
Provision for anticipated loss on non-U.S. operations	–	(119.0)
Effect of change in accounting principles applicable to write-off of preoperating costs previously deferred	–	(15.8)
	$ 3.2	$(134.8)

The sale of Champlin Petroleum Company and Pontiac Refining Corp. (petroleum operations), effective December 31, 1969, was completed on January 5, 1970, and has been reflected in the 1969 financial statements. Cash proceeds of $120 million received on January 5, 1970, are included in Marketable Securities. Additional proceeds of $120 million, payable in three equal annual installments beginning in 1971, are included in Investments and Advances. Petroleum operations contributed $12.3 million to income before extraordinary items in 1969, ($10.7 million in 1968), after giving effect to allocated financing and administrative costs but before deduction of allocated preferred dividends.

The gain on the sale of the Pontiac Refining Corp. was reduced by the excess of cost of investment over related equity in this company, $11.4 million. The remaining Excess of Cost of Investments Over Related Equities at December 31, 1969, totaled $22.7 million. This amount, commonly described as "goodwill", represented the difference between the acquisition cost of the shares of certain consolidated subsidiaries and the corresponding book value of the shares when acquired and was based on the anticipation of profits in excess of a normal return on investments. The anticipated above-normal return on investments in these subsidiaries has not been realized, and management believes such returns cannot be expected in the foreseeable future. Accordingly, remaining goodwill, $22.7 million, has been charged to 1969 income as an extraordinary item.

LESLIE FAY INC.

Income Before Extraordinary Items	$2,236,083
Extraordinary Item:	
Write-off of Goodwill (A)	135,311
Net Income	$2,100,772

Note A: In management's opinion, certain goodwill items have no continuing value and accordingly were written off.

Other

COPPERWELD STEEL COMPANY

Income Before Extraordinary Credit	$4,926,818
Gain from condemnation of property, net of applicable income taxes of $278,451	248,919
Net Income	$5,175,737

President's Message to the Shareholders (in part): Late in the Fourth Quarter, the Ohio Supreme Court upheld the decisions of the lower courts and awarded the Company $533,720 in final settlement of the suit against the State of Ohio for taking 44½ acres of land and small buildings from the property of the Steel Bar Division plant for construction of a beltway around the City of Warren. This award provides a non-recurring income for 1969 of $248,919, equal to $0.10 per share, after provision for income tax. The proceeds have been invested in land and buildings of like kind.

EASCO CORPORATION

Income before extraordinary income—from operations	$5,569,000
Extraordinary income—life insurance proceeds in excess of cash surrender value (a non-taxable item)	274,000
Net income	$5,843,000

SCREW AND BOLT CORPORATION OF AMERICA

Income before extraordinary credits	$1,691,614
Extraordinary credit, net of applicable income tax of $126,421 (Note 2)	333,292
Net income	$2,024,906

Note 2 (in part): *Extraordinary Credit*—The extraordinary credit for 1969 resulted from the condemnation of the unused Preble Avenue property by the Urban Redevelopment Authority of Pittsburgh. The Authority's estimate of just compensation of $597,000 was accepted by the Company without prejudice to its right to contest in court or to continue to negotiate with the Authority.

EARNINGS PER SHARE

In May 1969, the Accounting Principles Board of the American Institute of Certified Public Accountants issued *Opinion No. 15—Earnings Per Share,* which supersedes Part II of *Opinion No. 9.*

1. Earnings per share data are used in evaluating the past operating performance of a business, in forming an opinion as to its potential and in making investment decisions. They are commonly presented in prospectuses, proxy material and reports to stockholders. They are used in the compilation of business earnings data for the press, statistical services and other publications. When presented with formal financial statements, they assist the investor in weighing the significance of a corporation's current net income and of changes in its net income from period to period in relation to the shares he holds or may acquire.

. . . .

Presentation on Face of Income Statement

12. The Board believes that the significance attached by investors and others to earnings per share data, together with the importance of evaluating the data in conjunction with the financial statements, requires that such data be presented prominently in the financial statements. The Board has therefore concluded that earnings per share or net loss per share data should be shown on the face of the income statement. The extent of the data to be presented and the captions used will vary with the complexity of the company's capital structure, as discussed in the following paragraphs.

13. The reporting of earnings per share data should be consistent with the income statement presentation called for by paragraph 20 of APB *Opinion No. 9*. Earnings per share amounts should therefore be presented for (a) income before extraordinary items and (b) net income. It may also be desirable to present earnings per share amounts for extraordinary items, if any.

Simple Capital Structure

14. The capital structures of many corporations are relatively simple—that is, they either consist of only common stock or include no potentially dilutive convertible securities, options, warrants or other rights that upon conversion or exercise could in the aggregate dilute earnings per common share. In these cases, a single presentation expressed in terms such as *Earnings per common share* on the face of the income statement (based on common shares outstanding and computed in accordance with the provisions of paragraphs 47-50 of Appendix A) is the appropriate presentation of earnings per share data.

Complex Capital Structures

15. Corporations with capital structures other than those described in the preceding paragraph should present two types of earnings per share data (dual presentation) with equal prominence on the face of the income statement. The first presentation is based on the outstanding common shares and those securities that are in substance equivalent to common shares and have a dilutive effect. The second is a pro-forma presentation which reflects the dilution of earnings per share that would have occurred if *all* contingent issuances of common stock that would individually reduce earnings per share had taken place at the beginning of the period (or time of issuance of the convertible security, etc., if later.) For convenience in this Opinion, these two presentations are referred to as "primary earnings per share" and "fully diluted earnings per share," respectively, and would in certain circumstances discussed elsewhere in this Opinion be supplemented by other disclosures and other earnings per share data. (See paragraphs 19-23.)

Dual Presentation

16. When dual presentation of earnings per share data is required, the primary and fully diluted earnings per share amounts should be presented with equal prominence on the face of the income statement. The difference between the primary and fully diluted earnings per share amounts shows the maximum extent of potential dilution of current earnings which conversions of securities that are not common stock equivalents could create. If the capital structure contains no common stock equivalents, the first may be designated *Earnings per common share—assuming no dilution* and the second *Earnings per common share—assuming full dilution*. When common stock equivalents are present and dilutive, the primary amount may be designated *Earnings per common and common equivalent share*. The Board recognizes that precise designations should not be prescribed; corporations should be free to designate these dual presentations in a manner which best fits the circumstances provided they are in accord with the substance of this Opinion. The term *Earnings per common share* should not be used without appropriate qualification except under the conditions discussed in paragraph 14.

Periods Presented

17. Earnings per share data should be presented for all periods covered by the statement of income or summary of earnings. If potential dilution exists in any of the periods presented, the dual presentation of primary earnings per share and fully diluted earnings per share data should be made for all periods presented. This information together with other disclosures required (see paragraphs 19-23) will give the reader an understanding of the extent

and trend of the potential dilution.

18. When results of operations of a prior period included in the statement of income or summary of earnings have been restated as a result of a prior period adjustment, earnings per share data given for the prior period should be restated. The effect of the restatement, expressed in per share terms, should be disclosed in the year of restatement.

ADDITIONAL DISCLOSURES

Capital Structures

19. The use of complex securities complicates earnings per share computations and makes additional disclosures necessary. The Board has concluded that financial statements should include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding. Examples of information which should be disclosed are dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, unusual voting rights, etc.

Dual Earnings per Share Data

20. A schedule or note relating to the earnings per share data should explain the bases upon which both primary and fully diluted earnings per share are calculated. This information should include identification of any issues regarded as common stock equivalents in the computation of primary earnings per share and the securities included in the computation of fully diluted earnings per share. It should describe all assumptions and any resulting adjustments used in deriving the earnings per share data. There should also be disclosed the number of shares issued upon conversion, exercise or satisfaction of required conditions, etc., during at least the most recent annual fiscal period and any subsequent interim period presented.

. . . .

No Anti-Dilution

30. Computations of primary earnings per share should not give effect to common stock equivalents or other contingent issuance for any period in which their inclusion would have the effect of increasing the earnings per share amount or decreasing the loss per share amount otherwise computed. Consequently, while a security once determined to be a common stock equivalent retains that status, it may enter into the computation of primary earnings per share in one period and not in another.

Test of Common Stock Equivalent Status

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35. *Options and warrants (and their equivalents).* Options, warrants and similar arrangements usually have no cash yield and derive their value from their right to obtain common stock at specified prices for an extended period. Therefore, these securities should be regarded as common stock equivalents at all times. Other securities, usually having a low cash yield (see definition of "cash yield," Appendix D), require the payment of cash upon conversion and should be considered the equivalents of warrants for the purposes of this Opinion. Accordingly, they should also be regarded as common stock equivalents at all times. Primary earnings per share should reflect the dilution that would result from exercise or conversion of these securities and use of the funds, if any, obtained. Options and warrants (and their equivalents) should, therefore, be treated as if they had been exercised and earnings per share data should be computed as described in the following paragraphs. The computation of earnings per share should not, however, reflect exercise or conversion of any such security if its effect on earnings per share is anti-dilutive (see paragraph 30) except as indicated in paragraph 38.

36. Except as indicated in this paragraph and in paragraphs 37 and 38, the amount of dilution to be reflected in earnings per share data should be computed by application of the "treasury stock" method. Under this method, earnings per share data are computed as if the options and warrants were exercised at the beginning of the period (or at time of issuance, if later) and as if the funds obtained thereby were used to purchase common stock at the average market price during the period. . . .

. . . .

Fully Diluted Earnings Per Share

40. The purpose of the fully diluted earnings per share presentation is to show the maximum potential dilution of current earnings per share on a prospective basis. Consequently, computations of fully diluted earnings per share for each period should exclude those securities whose conversion, exercise or other contingent issuance would have the effect of increasing the earnings per share amount or decreasing the loss per share amount for such period.

41. Fully diluted earnings per share data should be presented on the face of the statement of income for each period presented if shares of common stock (a) were issued during the period on conversions, exercise, etc., or (b) were contingently issuable at the close of any period presented and if primary earnings

per share for such period would have been affected (either dilutively or incrementally) had such actual issuances taken place at the beginning of the period or would have been reduced had such contingent issuances taken place at the beginning of the period. The above contingencies may result from the existence of (a) senior stock or debt which is convertible into common shares but is not a common stock equivalent, (b) options or warrants, or (c) agreements for the issuance of common shares upon the satisfaction of certain conditions (for example, the attainment of specified higher levels of earnings following a business combination). The computation should be based on the assumption that all such issued and issuable shares were outstanding from the beginning of the period (or from the time the contingency arose, if after the beginning of the period). Previously reported fully diluted earnings per share amounts should not be retroactively adjusted for subsequent conversions or subsequent changes in the market prices of the common stock.

. . . .

Effective Date

45. This Opinion shall be effective for fiscal periods beginning after December 31, 1968 for all earnings per share data (primary, fully diluted and supplementary) regardless of when the securities entering into computations of earnings per share were issued, except as described in paragraph 46 as it relates to primary earnings per share. The Board recommends that (a) computations for periods beginning before January 1, 1969 be made for all securities in conformity with the provisions of this Opinion and (b) in comparative statements in which the data for some periods are subject to this Opinion and others are not, the provisions of the Opinion be applied to all periods–in either case based on the conditions existing in the prior periods.

46. In the case of securities whose time of issuance is prior to June 1, 1969 the following election should be made as of May 31, 1969 (and not subsequently changed) with respect to all such securities for the purpose of computing primary earnings per share:

a. determine the classifications of all such securities under the provisions of this Opinion, or
b. classify as common stock equivalents only those securities which are classified as residual securities under APB *Opinion No. 9* regardless of how they would be classified under this Opinion.

If the former election is made, the provisions of this Opinion should be applied in the computation of both primary and fully diluted earnings per share data for all periods presented.

Table 3-30 summarizes data as to the computation and presentation of earnings per share by the survey companies. Stock options and preferred stock are the most frequently recognized common stock equivalents; while convertible debt is the most frequent cause of a separate computation of fully diluted earnings per share.

TABLE 3-30: EARNINGS PER SHARE—1969

	Additional Shares Issuable For				
Earnings Per Share Effect	Debt	Preferred Stock	Options	Warrants	Other
Included in primary per share calculation	14	41	49	14	12
Included in fully diluted per share calculation	102	75	98	16	6
No dilutive effect	40	33	229	11	4
Effect not disclosed	54	27	145	20	32
No additional shares issuable	390	424	79	539	546
Total	600	600	600	600	600

Earnings Per Share Shown	
Based on average shares outstanding	437
Basis not determinable	101
Based on shares outstanding at year end:	
Change in outstanding less than 3%	52
Change in outstanding greater than 3%	7
No earnings per share shown	3
Total	600

Examples of the presentation of earnings per share by the survey companies in their 1969 annual reports follow.

Primary Earnings Per Share Only

AMERICAN MOTORS CORPORATION
Consolidated Statement of Net Earnings

	1969	1968
Earnings per share of Capital Stock and Capital Stock equivalents (Note E):		
Earnings from automotive operations	$.26	$.25
Loss* from discontinued appliance operations and unconsolidated subsidiaries sold		.08*
Extraordinary items		.44
Net earnings	$.26	$.61

Note E: Earnings Per Share—Earnings per share have been computed in accordance with Accounting Principles Board Opinion No. 15 issued in May 1969. The number of shares entering into the computations are as follows:

	1969	1968
Average shares outstanding	19,076,424	19,066,833
Capital Stock equivalents–resulting from dilutive stock options outstanding	24,466	47,768
Total	19,100,890	19,114,601

The computation of fully diluted earnings per share results in no dilution.

AMERICAN SEATING COMPANY
Consolidated Statement of Earnings

	1969	1968
Earnings per common share:		
Earnings before extraordinary items ..	$1.72	$1.82
Extraordinary items	.01	—
Net earnings	$1.71	$1.82

Notes to Consolidated Financial Statements

Earnings per Common Share: Earnings per common share for both years were computed in compliance with Accounting Principles Board Opinion Number 15, based on dividing net income, reduced for preferred stock dividend requirements, by the weighted average number of common shares actually outstanding during each year (1,363,250 shares in 1969 and 1,381,857 shares in 1968). Shares issuable under employee stock options are excluded from the weighted average number of shares on the basis that their effect is not dilutive.

The Series A, Convertible Preferred Stock is not considered a common stock equivalent and the effect in computing fully diluted earnings per share is not significant.

BATH INDUSTRIES, INC.
Consolidated Statements of Income

	1969	1968
Per Share of Common and Common Stock Equivalents		
Income before extraordinary credits	$1.58	$1.32
Extraordinary credit	.20	.25
Net income	$1.78	$1.57
Average Number of Common and Common Stock Equivalents Outstanding Each Year	4,817,020	4,853,620

Financial Report

Common and Common Stock Equivalents—Common and common equivalent shares include the average number of shares of common stock outstanding (2,311,580) plus the average number of common shares issuable upon conversion or exercise of the company's convertible preferred stock (2,189,095), stock warrants (488,505) and stock options (227,663), less the common shares that could have been repurchased (399,823) with the proceeds available from the assumed exercise of outstanding warrants and options.

BAUSCH & LOMB INCORPORATED
Statement of Earnings

	1969	1968
Net Earnings per Common and Common Equivalent Share	$1.85	$1.63

Notes to Financial Statements

Note 7: Earnings per Share—In compliance with pronouncements of The American Institute of Certified Public Accountants, the convertible debentures are deemed to be equivalent to common stock. Accordingly, the shares of common stock into which they are convertible are included in the calculation of average shares outstanding. Earnings, less the preferred stock dividend, were adjusted for the interest, net of tax, for the purpose of computing net earnings per share.

CHEMETRON CORPORATION
Statement of Consolidated Earnings

	1969	1968
Per share of common stock—primary and fully diluted (Note 12):		
Net earnings before extraordinary items	$2.90	$2.74
Extraordinary items, net of taxes ..	.46	.09
Net earnings	$3.36	$2.83

Note 12: Primary and Fully Diluted Earnings Per Share—Primary earnings per share were computed by dividing net earnings after dividend requirements of the preferred and series A preference stocks by the average number of common shares and equivalents outstanding during each year (retroactively adjusted for the 2% stock dividend declared in 1969). For purposes of this calculation, the stock options and series B preference stock were considered as common stock equivalents although the 1969 qualified stock options had no effect on this calculation as they were not dilutive.

The calculation of fully diluted earnings per share (which included the series A preference stock) resulted in the same amount as that derived from primary earnings per share.

GENERAL MILLS, INC.
Results of Operations

	1969	1968
Earnings per Common and Common Equivalent Share:		
Earnings before extraordinary items	$ 1.77	$ 1.67
Extraordinary items ..	.06	—
Net earnings	$ 1.83	$ 1.67
Average number of common and common equivalent shares	20,531,000	19,451,000

Accounting Methods Used by General Mills

Earnings Per Share—In May, 1969, the American Institute of Certified Public Accountants adopted new rules for reporting earnings per share. These rules require that earnings per common share be based on the average number of common shares outstanding plus what are called "common share equivalents." Common share equivalents include the common shares which may be issued under varying circumstances in the future. For General Mills, these include:

Shares to be issued upon possible conversion of preference stock
Shares for certain stock options
Shares for the former stockholders of Kenner Products Company earned through profit performance under the contract for purchase of this business.

TELEDYNE, INC.
Consolidated Statements of Income

	1969	1968
Net Income Per Share of Common Stock and Common Stock Equivalents (equal to net income assuming full dilution—Note 2)	$2.00	$1.63
Net Income Per Share of Common Stock and Common Stock Equivalents Adjusted for 3% Stock Dividend Payable February, 1970	$1.94	$1.58

Note 2: Net Income per Share of Common Stock and Common Stock Equivalents—The computation of net income per share is based on the average number of common shares outstanding during

each year, including common stock equivalents ($3.50 and Series B preferred stock, 5½%, 4% and 3½% convertible subordinated debentures, options and warrants, and contingently issuable shares). Each common stock equivalent has been considered outstanding from the beginning of each year or date of issuance, and the related dividend requirement or interest has been eliminated. All convertible securities, options and warrants which result in dilution have been included in the computation of net income per share. The fully diluted net income per common share is equal to the net income per share of common stock and common stock equivalents.

was assumed that all stock options had been exercised at the beginning of the year and that the proceeds had been used to purchase shares of the company's common stock at the average market price during the year.

Earnings per common share—assuming full dilution—are based upon the assumption that, in addition to the exercise of the stock options, all convertible debentures had been converted into common stock on the dates of their issuance.

If the 4½% convertible debentures (Note 3) had been converted at the beginning of the most recent fiscal year, earnings per share would have been $3.07 for 1969.

Fully Diluted Earnings Per Share

ARMOUR AND COMPANY
Consolidated Statement of Earnings

	1969	1968
Earnings per share of common stock after recognition of preferred stock dividends		
Per common and common equivalent share		
Based on (a) average common shares outstanding adjusted to include from the beginning of the year shares issued for stock options exercised during the year and (b) common equivalent shares. The equivalent shares represent common shares which would be issued if stock options outstanding at year end were exercised less treasury shares which could be purchased at average market prices for the year with proceeds from stock options exercised.		
Earnings before extraordinary items	$ 3.59	$ 3.13
Extraordinary items	(1.16)	(1.82)
Net earnings	2.43	1.31
Per common share assuming full dilution		
Based on common and common equivalent shares adjusted to include from the beginning of the year shares issued on debentures converted during the year and (a) common shares which would have been issued if the 4½% Convertible Subordinated Debentures outstanding at the end of each year were converted at the beginning of each year and interest (less applicable income tax) on the debentures was added to earnings and (b) the increase in common equivalent shares which would result if treasury shares included in the above per share calculations were purchased at year-end market prices rather than average market prices for the year.		
Earnings before extraordinary items	3.43	2.95
Extraordinary items	(1.09)	(1.66)
Net earnings	2.34	1.29

WALT DISNEY PRODUCTIONS
Statement of Consolidated Income

	1969	1968
Earnings (Note 8)		
Per common and common equivalent share	$3.49	$2.94
Per common share – assuming full dilution	$2.88	$2.66

Note 8: Earnings Per Share—Earnings per common and common equivalent share have been computed on the basis of the average number of shares outstanding during each year. In addition it

INSILCO CORPORATION
Consolidated Statement of Earnings

	1969	1968
Earnings per common and common equivalent share (Note 8)	$1.38	$1.29
Earnings per common share—assuming full dilution (Note 8)	$1.28	$1.24

Note 8: Earnings Per Share—Earnings per common and common equivalent share were computed by dividing net earnings, less dividends on the 8% convertible preferred stock and the former 7% preferred stock, by the average number of common and common equivalent shares outstanding during each year, adjusted for the 5% stock dividend in 1969. In computing such average shares outstanding, the number of common shares was (1) increased by the number of shares issuable on conversion of Series A preferred stock and on exercise of those common stock options with exercise prices lower than the average market prices of common stock during each year and (2) reduced by the number of shares assumed to have been purchased with the proceeds from the exercise of the options. Series A preferred stock and common stock options are the only securities of the Company which qualified as common stock equivalents as defined by the accounting profession.

Fully diluted earnings per share were determined on the assumptions that average common shares were further increased by conversion of outstanding 5% and 5¾% convertible debentures and 8% convertible preferred stock at their respective dates of issue and that interest, net of tax, on the debentures and dividends on 8% convertible preferred stock were eliminated.

THE MACKE COMPANY
Statements of Consolidated Income

	1969	1968
Earnings per Common Share and Common Equivalent Share (Notes 2 and 3)	$0.90	$0.90
Earnings per Common Share Assuming Full Dilution (Notes 2 and 3)	$0.86	$0.86

Note 2: Earnings Per Common Share—Earnings per share has been computed in accordance with Accounting Principles Board Opinion Number 15 and is based on the weighted average number of shares of common stock and common stock equivalents (stock options and warrants) outstanding in each year. Under the provisions of this Opinion, applied retroactively, all of the Company's outstanding 4⅞% convertible debentures are classified as senior securities and, therefore, are considered only in the basis for computing earnings per share assuming full dilution. Interest on convertible debentures, less applicable income taxes, has been added to net income for computing earnings per share assuming full dilution.

Note 3: Changes In Accounting—The Company adopted as of October 1, 1968, the practice of capitalizing systems development costs. In addition, in 1969, the practice previously adopted by the parent company of inventorying equipment replacement parts was adopted by major subsidiaries. The effect of these changes was to increase net income by $328,000 (13¢ per share) in 1969.

MARCOR INC.
Statement of Earnings

	Year ended January 31 1970	1969
Net Earnings Per Common Share and Common Equivalent Share ..	$4.19	$3.14
Net Earnings Per Common Share Assuming Full Dilution	$3.43	$2.72

Earnings Per Share—Earnings per share for the year ended January 31, 1970 have been calculated as follows:

	Common and Common Equivalent Shares	Assuming Full Dilution
Average number of common shares outstanding	12,692,190	12,692,190
Common stock equivalents due to assumed exercise of options	99,636	114,612
Average number of Series A preferred shares outstanding	–	6,513,378
Series A preferred stock equivalents due to assumed exercise of options	–	175,154
Total shares	12,791,826	19,495,334
Net earnings	$66,950,000	$66,950,000
Less—preferred dividend requirements based on average number of preferred shares and preferred equivalent shares outstanding during year	13,372,000	–
Net earnings used in per share calculations	$53,578,000	$66,950,000
Net earnings per share	$4.19	$3.43

Net earnings per common share and common equivalent share and net earnings per common share assuming full dilution have been restated for preceding years to comply with an opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants in May 1969.

TWENTIETH CENTURY-FOX FILM CORPORATION
Consolidated Operations

	1969	1968
Net earnings (loss) per share (Note 8):		
Primary:		
Before extraordinary items	$(4.48)	$1.95
Extraordinary items	1.41	–
Net earnings (loss)	$(3.07)	$1.95
Fully diluted (not dilutive in 1969) .	$(3.07)	$1.56

Note 8: Net Earnings (Loss) Per Share—Primary net earnings (loss) per share have been computed based on 8,216,271 shares in 1969 and 7,063,880 shares in 1968, the average number of shares outstanding during each year. The exercise of the outstanding warrants has not been taken into account, since the average price for the year and the year end price of the company's common stock was lower than the exercise price of the warrants. Full conversion of all convertible debentures, which was assumed in computing the fully diluted earnings per share for 1968, would have the effect of reducing the 1969 loss per share and therefore in accordance with Accounting Principles Board Opinion Number 15, they have not been included in computing the fully diluted loss per share for 1969.

If the conversions referred to in Note 7 had all taken place at the beginning of 1969 the net loss per share for the year would have been $2.94, after giving effect to the reduction in interest and amortization of debt expense and the related effect on Federal income taxes.

JIM WALTER CORPORATION
Consolidated Statement of Income and Retained Earnings

	1969	1968
Primary earnings per share (Note 8):		
Net operating income	$1.51	$1.47
Extraordinary items	.38	.02
Net income	$1.89	$1.49
Fully diluted earnings per share (Note 8):		
Net operating income	$1.38	$1.26
Extraordinary items	.33	.02
Net income	$1.71	$1.28

Note 8: Earnings Per Share—All earnings per share calculations have been made in accordance with Opinion No. 15 of the Accounting Principles Board of the American Institute of Certified Public Accountants and reflect the three-for-one split of the Company's common stock on January 1, 1969.

Primary earnings per share were computed by dividing net income (after deducting applicable preferred dividends) by the weighted average number of shares of common stock and common stock equivalents outstanding during each year. The $1.40 convertible series 2-third preferred stock, series 3 voting convertible-third preferred stock and $1.60 cumulative convertible voting fourth preferred stock have been considered to be the equivalent of common stock during each year. In addition, common stock equivalents include the number of common shares issuable on the exercise of common stock purchase warrants and employee stock options less the number of shares of common stock which could have been purchased with the proceeds from the exercise of the warrants and options; these purchases were assumed to have been made at the average market price of the common stock during the year, or that part of the year for which the security was outstanding. Primary earnings per share for 1969 would not have been materially diluted had all conversions during the year ending August 31, 1969 occurred on September 1, 1968.

Fully diluted earnings per share were determined on the assumption that at the beginning of each year, or on the issue date, if later, all then outstanding convertible preferred stock, convertible notes and debentures, stock options and warrants having a dilutive effect on earnings per common share had been converted or exercised. Applicable preferred dividends and interest expense (net of tax effect) were eliminated. As to the common stock purchase warrants and employee stock options, outstanding shares were increased as described above for primary earnings per share except that purchases of common stock are assumed to have been made at the higher of either the market price of the common stock at the end of the year or the average market price for the year.

Primary earnings per share and fully diluted earnings per share (for both net operating income and net income) include earnings appropriated to general reserves (see Note 1 as to First Brentwood Corporation) of $.06 and $.05 in 1969 and $.03 and $.03 in 1968, respectively.

Election Adopted for Securities Outstanding May 31, 1969

WALTER KIDDE & COMPANY, INC.
Consolidated Statements of Operations

	1969	1968 Restated (Note)	1968 Previously Reported
Earnings per common share and common equivalent share ..	$3.54	$3.04	$3.04
Earnings per common share, assuming full dilution	$3.30	$2.87	$2.87

Notes to Financial Statements

Earnings Per Share—Average shares used in computing earnings per share were as follows:

	1969	1968 (Restated)
Common Shares outstanding and common share equivalents of Series A Preference Shares	9,177,196	8,495,694
Effect of assumed exercise of stock options granted after May 31, 1969 at option prices which are lower than the average market price of the Common Shares	3,605	—
Adjustment for 1969 2½% stock dividend	—	196,007
Common Shares and common equivalent shares	9,180,801	8,691,701
Assumed conversion of $30,000,000 5% Convertible Subordinated Debentures on date of issuance at $66.34 per share	408,844	—
Assumed conversion of $10,000,000 5% Convertible Subordinated Debentures at $43.51 per share	229,832	229,832
Assumed conversion of Series B Preference Shares on date of issuance at 1.163	322,974	—
Effect of assumed exercise at the beginning of year of stock options exercised during the year and other dilutive stock options	12,711	32,054
Assumed issuance of shares under acquisition agreements entered into prior to June 1, 1969 (See note: "Common Shares")	306,881	305,534
Common Shares, assuming full dilution	10,462,043	9,259,121

Earnings per Common Share and common equivalent share was computed after deducting $1,110,832 of dividend requirements on Series B Cumulative Convertible Preference Shares in 1969. Appropriate income adjustments before computing Earnings per Common Shares—assuming full dilution—were $900,302 in 1969 and $236,000 in 1968. Earnings per Common Share and common equivalent share for 1968 as previously reported has been adjusted retroactively to give effect to the 2½% stock dividend declared in 1969.

Options and Warrants Exceed Twenty Percent

AMK CORPORATION
Consolidated Statement of Income and Income Retained in the Business

	1969	1968
Earnings per share (Note 10):		
Primary:		
Income before extraordinary items	$2.69	$1.32
Extraordinary items	1.20	.11
Net income	$3.89	$1.43
Fully diluted:		
Income before extraordinary items	$2.42	$1.32
Extraordinary items	.54	.10
Net income	$2.96	$1.42

Note 10: Per Share Income Data—Per share income amounts have been calculated in accordance with Opinion No. 15 of the Accounting Principles Board of the American Institute of Certified Public Accountants. In compliance with this opinion the Company has elected to classify as common stock equivalents (common shares assumed to be outstanding for the calculation of primary earnings per share) only those securities issued prior to June 1, 1969 which were classified as residual securities under Accounting Principles Board Opinion No. 9. As a result, the Company's preferred stocks are considered common stock equivalents and the computation of primary earnings per share gives effect to the full conversion of the preferred stocks into common shares. Fully diluted earnings per share assume, in addition to full conversion of preferred stocks, exercise of the outstanding warrants and the outstanding stock options with the proceeds applied in the following steps:

(a) Purchase 20% of the Company's common stock outstanding at average market price during the period,

(b) Payment of all long and short-term obligations including convertible subordinated debentures and,

(c) The balance invested in government securities.

The weighted average number of shares for the primary computation was 8,352,000 and 4,959,000 for 1969 and 1968, and for the fully diluted computation was 16,675,000 and 5,421,000 shares, respectively.

LONG-TERM LEASES—Disclosure by Lessors

Opinion No. 7, Accounting for Leases in Financial Statements of Lessors, released in May 1966 by the Accounting Principles Board of the American Institute of Certified Public Accountants, sets forth two acceptable accounting methods for lessors and the circumstances under which a particular method is to be used:

5. *Financing method*—Under the financing method, the excess of aggregate rentals over the cost (reduced by estimated residual value at the termination of the lease) of the leased property is generally designed to compensate the lessor for the use of the funds invested. Since this excess is in the nature of interest, it is recognized as revenue during the term of the lease in decreasing amounts related to the declining balance of the unrecovered investment or, in other words, as an approximately level rate of return on funds not yet recovered. When rentals are level, this results in a decreasing percentage of each succeeding rental being accounted for as revenue and an increasing percentage as recovery of investment. This is comparable to the method followed by most lending institutions in accounting for level repayment plans.

6. *Operating method*—Under the operating method, aggregate rentals are reported as revenue over the life of the lease. The amount of revenue to be recognized in each accounting period will ordinarily be equivalent to the amount of rent receivable according to the provisions of the lease unless distortion of periodic revenue would result, e.g., when the rentals depart radically from a straight-line basis without relation to the economic usefulness of the leased property. The income statement reflects, as expenses, depreciation of the leased property, maintenance and other related costs, as well as the cost of any other services rendered under the provisions of the lease. The amount of these expenses to be recognized in each accounting period should be determined by methods which are appropriate in the circumstances and which are conventionally used for such expenses when incurred in activities other than leasing.

7. *Basis for selection*—The objective of fairly stating the lessor's net income during each of the periods covered by the leasing activities is the most important consideration in differentiating between the use of the financing or operating methods (see paragraphs 13-15 for a description of balance sheet presentations consistent with the method used in determining income). Pertinent factors in making the choice, among others,

are the following: the nature of the lessor's business activities; the specific objectives of its leasing activities, including the relationship to other business activities of the lessor, if any; the term of the lease in relation to the estimated useful life of the property; the existence of renewal or purchase options and the likelihood that the lessee will exercise them; provisions of the lease which indicate the extent to which the usual risks of ownership (e.g., obsolescence, unprofitable operation, unsatisfactory performance, idle capacity, dubious residual value) or rewards of ownership (e.g., profitable operation, gain from appreciation in value at end of lease) rest with the lessor or the lessee.

8. The financing method is generally appropriate for measuring periodic net income from leasing activities of entities engaged in, perhaps among other things, lending money at interest—e.g., lease-finance companies, banks, insurance companies or pension funds. Lease agreements of institutions of this kind typically are designed to pass all or most of the usual ownership risks or rewards to the lessee, and to assure the lessor of, and generally limit him to, a full recovery of his investment plus a reasonable return on the use of the funds invested, subject only to the credit risks generally associated with secured loans. Usually, the financing method is similar to the method of accounting for revenue already in use for other lending activities of the institutions. The financing method is also appropriate for a leasing activity of an entity which is not identified as a financial institution, such as a manufacturer, if the lease agreements have the characteristics described earlier in this paragraph.

9. On the other hand, there are companies (e.g., the owner-operator of an office building, the lessor of automotive equipment on short-term leases—daily, weekly or monthly) which retain the usual risks or rewards of ownership in connection with their leasing activity. They may also assume responsibilities for maintaining the leased property or furnishing certain related services which will give rise to costs to be incurred in the future. Rental revenues are designed to cover the costs of these services, depreciation and obsolescence, and to provide an adequate profit for assuming the risks involved. In these cases the operating method is appropriate for measuring periodic net income from leasing activities. The operating method is also appropriate if the leasing activity is an integral part of manufacturing, marketing or other operations of a business which generate revenues and costs which must be considered along with revenues and costs from the leasing activities in arriving at appropriate methods for measuring the over-all periodic net income (examples are leases of retail outlets with lease provisions deliberately made favorable to induce lessee to handle lessor's product and leases which generate significant servicing revenues and costs). The operating method likewise is appropriate for leasing activities for an otherwise strictly financing institution if such activities are characterized as set forth in this paragraph.

In the matter of financial reporting the Board states:

14. When the financing method is used, the aggregate rentals called for in the lease should be classified with or near receivables and a description used along the lines of "receivables under contracts for equipment rentals" or "contracts receivable for equipment rentals." When a company is predominantly engaged in leasing activities for which the financing method is appropriate, information should be disclosed regarding future maturities of the rentals receivable. Unearned finance charges or interest (as defined in paragraph 5) included in the aggregate rentals should be shown as a deduction therefrom.[2] Estimated residual value should be classified separately with or near property, plant and equipment unless the residual value represents an amount expected to be collected from the lessee (e.g., when a favorable purchase option exists), in which case it should be classified with or near notes and accounts receivable. Thus, the investment is represented by the net rentals receivable plus the residual value. Receivables under financing leases are subject to the same considerations as to current or non-current classification, where such segregation is appropriate in the balance sheet, as are assets resulting from other activities.

15. When the operating method is used, the investment should be classified with or near property, plant and equipment and a description used along the lines of "investment in leased property," "property held for or under lease," or "property (equipment, buildings, machines, etc.) leased to others"; accumulated allowances for depreciation and obsolescence should be shown as a deduction from the investment.

16. In addition to an appropriate description in the balance sheet of the investment in property held for or under lease (see paragraphs 13-15), the principal accounting methods used in accounting for leasing activities should be disclosed. Further, where leasing is a substantial portion of a nonfinancing institution's operations, the Board believes that financial statements should disclose sufficient information to enable readers to assess the significance of leasing activities to the company. Leases and leased property are also subject to the conventional disclosure requirements affecting financial statements as, for example, disclosure of pledges of leased property and leases as security for loans.

Long-term agreements in which the reporting company is the lessor were reported by 72 of the survey companies in the 1969 reports. The accounting method used was indicated by 42 companies; the remaining 30 companies referred to their activities as lessor in long-term lease agreements but did not disclose the method of reporting.

[2] See paragraph 14 of Opinion No. 6 of the Accounting Principles Board.

TABLE 3-31: LONG-TERM LEASES—DISCLOSURE BY LESSORS

Method of Reporting	1969	1968
Operating method	35	36
Financing method	5	2
Both operating and financing methods	2	4
Leases referred to, but accounting method not disclosed	30	20
Total reporting	72	62
No indication of leasing activity	528	538
Total	600	600

Operating Method

HONEYWELL INC.
Notes to Financial Statements

Note 2: Property, Plant and Equipment—

Land	$ 10,578,768
Buildings and improvements	104,602,449
Machinery and equipment	204,838,263
Equipment for lease to customers	418,505,652
Construction in progress	14,870,029
	753,395,161
Less accumulated depreciation and amortization	237,290,580
Property, plant and equipment—net	$516,104,581

Depreciation expense is computed principally using the straight-line method.

Note 5: Accounting Practice—Leases to customers for computer systems are accounted for as operating leases, and the rentals under such leases are included in sales, service and rental income as earned over the term of the lease. Future rentals sold to non-consolidated finance subsidiaries as described in the financial review section of this report (Page 9), have been credited to Deferred Rental Income and will be included in sales, service and rental income in accordance with the above method.

THE NATIONAL CASH REGISTER COMPANY

Property, plant and equipment	
Land	$ 12,413,000
Buildings	136,622,000
Machinery and equipment	404,379,000
	553,414,000
Less: Accumulated depreciation	259,966,000
	293,448,000
Rental equipment	407,127,000
Less: Accumulated depreciation	189,486,000
	$217,641,000

Results of Operations

Income	
Income from sales, services and equipment rentals	$1,254,641,000
Other income	20,946,000
	$1,275,587,000

AMERICAN MACHINE & FOUNDRY COMPANY

	(*in thousands of dollars*)
Machines Leased to Customers, at cost	$155,304
Less accumulated depreciation	99,211
	56,093
Consolidated Statements of Income	
Sales	$544,771
Rentals	58,394
	603,165

Both Financing and Operating Methods

EVANS PRODUCTS COMPANY

Current Assets:	(*Dollar amounts in thousands*)
Cash	$ 12,039
Receivables, less allowance for doubtful accounts ($1,813 in 1969)	53,552
Contracts receivable	25,229
Inventories	96,870
Prepaid expenses and advances	5,220
Total Current Assets	192,910
Contracts Receivable	$ 46,453
Equipment Held For Lease	88,585

Notes to Financial Statements

Note 3: Contracts Receivable

	Total Receivables	Unearned Charges	Net Receivable Classified As Non-Current	Net Receivable Classified As Current
	(In Thousands)			
Home financing contracts:				
Time price differential charges included in principal	$14,156	$4,041	$ 9,008	$ 1,107
Interim financing	25,289	–	8,307	16,982
Other contracts	9,953	–	7,052	2,901
	49,398*	4,041	24,367	20,990
Contracts for equipment rentals	21,540	4,977	14,419	2,144
Cash on deposit with lenders	6,593	–	5,125	1,468
Miscellaneous	3,169	–	2,542	627
	$80,700	$9,018	$46,453	$25,229

The interim home financing contracts are collectible over a two-year period. The remaining home financing contracts are collectible over varying periods up to 20 years. The contracts for equipment rentals covering certain railcars leased since 1966 and accounted for under the finance method are collectible over periods of 6 to 12 years.

*Net of allowance for doubtful accounts of $804,000.

Note 4: Equipment Held For Lease—At Cost

	(In Thousands)
Leased railcars	$102,768
Less accumulated depreciation	16,997
	85,771
Residual value of leased railcars accounted for under the finance method	2,814
	$ 88,585

Railcars acquired since September 1965 are being depreciated over their estimated useful lives on a straight-line method. Railcars acquired prior to September 1965 are being depreciated over their estimated useful life on a composite declining balance method.

Financing Method

MCA INC.

Other Assets

Receivable under long term lease (Note 3)	$7,725,000

Note 3: Property, Plant and Equipment—Plant and equipment, at cost, comprised:

	December 31	
	1969	1968
Buildings and improvements	$42,895,000	$38,202,000
Furniture, fixtures and equipment	26,245,000	25,078,000
Residual value of hotel	4,122,000	—
Leasehold improvements	3,047,000	3,020,000
Construction in progress—hotel	—	7,675,000
	$76,309,000	$73,975,000

Depreciation for the major portion of buildings, improvements, furniture, fixtures and equipment is provided on an accelerated declining balance method until such time as a greater amount of annual depreciation will be provided by changing to the straight line method; other buildings, improvements, furniture, fixtures and equipment are depreciated on the straight line method. Leasehold improvements are amortized over the lesser of the life of the respective leases or the life of the improvement. Depreciation and amortization expense amounted to $4,408,000 in 1969 and $4,566,000 in 1968.

During 1969, the company completed construction of a hotel which it has leased to the operator for a minimum period of 21 years. In accordance with the financing method of accounting, aggregate minimum rentals, net of $9,302,000 of unearned finance charges, are included in the consolidated balance sheet as "Receivable under long term lease." The $4,122,000 of cost remaining at the end of the initial lease period is carried in plant and equipment as "Residual value of hotel."

Section 4 STOCKHOLDERS' EQUITY

THIS SECTION OF THE SURVEY reviews the presentation by the 600 survey companies of transactions affecting the stockholders' equity accounts, other than net income (loss) for the year.

RETAINED EARNINGS

Table 4-1 shows the manner in which the retained earnings statements are presented. The number of companies presenting a combined statement of income and retained earnings and those presenting a separate statement are approximately equal. A minority of companies combined the presentation of transactions of the retained earnings account with additional capital and/or capital stock, and three companies presented changes in the stockholders' equity section of the balance sheet. Thirty-seven companies failed to present a retained earnings statement for the prior year for comparison. Examples of presentations of retained earnings changes follow.

TABLE 4-1: PRESENTATION OF RETAINED EARNINGS TRANSACTIONS

	Number of Companies Presenting*	1969	1968
A:	Combined statement of income and retained earnings	227	245
	Separate statement of retained earnings:		
B:	At foot of income statement	126	108
C:	Elsewhere	110	160
D:	Combined statement of retained earnings and additional capital (or stockholders' equity statement)	134	84
	Other	3	3
	Total	600	600

* Refer to Company Appendix Section—A: 10, 15, 16, 116, 309; B: 1, 4, 312, 317, 617; C: 138, 375, 377; D: 222, 378, 384, 548, 612.

Combined Statements of Income and Retained Earnings

STANDARD PACKAGING CORPORATION
Statement of Income and Retained Earnings

	1969
Net Sales	$113,267,757
Costs and Expenses:	
Cost of products sold (except depreciation)	86,204,730
Selling, general and administrative expenses	24,281,174
Depreciation	1,767,244
Interest expense (other than long-term debt)	24,126
Total costs and expenses	112,277,274
Income from Operations	990,483
Other Income—net (including interest—1969, $571,672; 1968, $62,289)	781,434
Interest Expense on Long-term Debt	(2,563,672)
Income (Loss) before Federal Income Tax and Extraordinary Loss	(791,755)
Deferred Federal Income Tax Credit (Federal income tax equivalent)	66,500
Income (Loss) Before Extraordinary Loss	(725,255)
Extraordinary Loss	(4,233,322)
Net Loss	(4,948,577)
Retained Earnings January 1	19,409,987
	14,461,410
Cash Dividends on Preferred Stock	82,890
Retained Earnings December 31 (restricted as to dividends)	$ 14,378,520
Per Share of Common Stock:	
Income (loss) before extraordinary loss	$ (.32)
Extraordinary loss	(1.67)
Net Loss	$ (1.99)

NATIONAL BISCUIT COMPANY
Statement of Income and Retained Earnings

	1969
Net Sales	$726,227,000
Cost of sales	479,312,000
Selling, general and administrative expenses	179,385,000
	658,697,000
Income from Operations	67,530,000
Interest and miscellaneous income, net	5,046,000
Interest on long-term debt	(4,583,000)
Income before Income Taxes	67,993,000
Income taxes (deferred: 1969, $1,063,000)	37,154,000
Net Income	30,839,000
Retained earnings January 1	204,519,000
	235,358,000
Common dividends declared, $2.20 per share in 1969	29,878,000
Retained earnings December 31	$205,480,000
Net Income per share of common stock	$2.27

Separate Statement of Retained Earnings

AMERICAN BAKERIES COMPANY
Statement of Retained Earnings

	1969
Balance, Beginning of Year	$33,286,135
Add (deduct)—Net (loss) earnings for the year	(3,177,335)
	$30,108,800
Deduct—Dividends:	
Cumulative prior preferred stock:	
$1.80 series ($1.80 per share)	$ 158,926
$1.80 convertible series ($.22½ per share in 1969)	22,500
5% cumulative convertible preferred stock ($5.00 per share)	425,650
	607,076
Common stock ($.50 per share in 1969)	1,000,087
	1,607,163
Balance, End of Year	$28,501,637

TEXTRON INC.
Consolidated Statement of Retained Earnings

	1969
Balance at beginning of year (restated for poolings of interests)	$320,178,000
Net income	76,122,000
	396,300,000
Textron dividends—	
$2.08 preferred stock	6,378,000
$1.40 preferred dividend stock	6,714,000
Common stock ($.85 in 1969)	23,173,000
Total dividends	36,265,000
Charges resulting from issuance of treasuray shares, for companies acquired and from exercise of stock options	26,818,000
	63,083,000
Balance at end of year	$333,217,000

Retained Earnings Statement Combined with Additional Capital

AIR REDUCTION COMPANY, INCORPORATED
Statement of Stockholders' Equity

	1969 (In Thousands)				
	Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings	Total Stockholders' Equity
Balance at Beginning of Year, as Previously Reported	$11,161	$(3,989)	$105,355	$132,046	$244,573
Adjustment for Pooled Companies	132	2,536	(690)	(95)	1,883
Balance at Beginning of Year, as Restated	11,293	(1,453)	104,665	131,951	246,456
Net income	—	—	—	20,326	20,326
Conversion of 3⅞% Convertible Debentures (principal amount 1969, $315,000)	10	—	303	—	313
Stock Issued Under Employee Stock Purchase Plans	59	955	1,020	—	2,034
Stock Option Plans	4	—	65	—	69
Dividends on Common Stock (per share—1969, $1.15)	—	—	—	(12,863)	(12,863)
Shares Purchased for Treasury	—	(113)	—	—	(113)
Balance at end of Year	$11,366	$ (611)	$106,053	$139,414	$256,222

EVANS PRODUCTS COMPANY
Reconciliation of Common Shareholders' Investment
(Dollar amounts in thousands)

	Shares Outstanding	Stock Common	Paid-in Capital	Retained Earnings
Balance at beginning of year as reported	3,319,298	$16,596	$27,980	$33,201
Adjustments for poolings of interests	1,021,829	5,110	(1,617)	17,912
Net earnings				14,713
Dividends declared:				
Common stock				
Cash 60¢				(2,451)
Stock 4%	134,934	675	5,566	(6,241)
Preferred stock—cash				
5¼%				(394)
$4				(359)
By pooled company—cash				(158)
Common stock options and warrants exercised	357,452	1,787	2,614	
Preferred stock converted into common stock	11,945	60	50	
Common stock issued for an acquisition	72,687	363	2,537	
Acquisition costs			(868)	
Balance at end of year	4,918,145	$24,591	$36,262	$56,223

OUTBOARD MARINE CORPORATION

Statement of Consolidated Accumulated Earnings Employed in the Business and Capital in Excess of Par Value of Common Stock

Consolidated Accumulated Earnings Employed in the Business	
Balance at beginning of year	$ 92,228,000
Add—Net earnings for the year, per accompanying statement	17,078,000
	109,306,000
Deduct:	
Cash dividends paid of $1.00 per share in each year	8,060,000
Balance at end of year (Note 2)	$101,246,000
Capital in Excess of Par Value of Common Stock	
Balance at beginning of year	$ 30,762,000
Add—Excess of proceeds over par value of common stock issued (Note 3)	720,000
Balance at end of year	$ 31,482,000

Notes to Consolidated Financial Statements

Note 2: Long Term Debt—Long-term debt, net of current maturities and sinking fund requirements included in current liabilities at September 30, 1969 are:

Revolving credit notes with variable interest rate (currently 8½%), convertible January 1, 1971, to term notes due in varying semiannual installments to December 31, 1974	$35,000,000
4¼% note due in 1976 with semiannual sinking fund requirements of $250,000	2,750,000
5% notes due in 1982 with fixed sinking fund payments of varying annual amounts	7,600,000
Other mortgages and notes	374,000
	$45,724,000

Under the revolving credit agreement at September 30, 1969, the company has borrowed $35,000,000 which is the authorized amount. This agreement provides, among other things, for a commitment fee of ¼% on any unborrowed balance, and that defined net working capital of $50,000,000 and a working capital ratio of two-to-one shall be maintained.

The loan agreements covering the 5% and 4¼% notes contain, among other things, restrictions on the payment of cash dividends, capital distributions and purchases, redemption or retirement of shares of common stock. Under the terms of these agreements, $48,310,000 of the consolidated accumulated earnings employed in the business was restricted as of September 30, 1969.

Note 3: Executive Stock Option Plans—Under provisions of the 1967 Executive Stock Option Plan, 291,000 shares of common stock are reserved for options to officers and executive employees at not less than 100% of the fair market value at date of grant, exercisable not later than five years after date of grant. As of September 30, 1969, there are options outstanding for 132,600 shares, which are exercisable through 1973. During the year options for 9,000 shares were exercised under this plan for an aggregate price of $226,000.

Under provisions of the 1956 Executive Stock Option Plan, 2,900 shares of common stock are reserved at September 30, 1969, for options granted to officers and executive employees. These options are exercisable at varying dates through 1972. During the year, options for 32,500 shares were exercised under this plan for an aggregate of $506,000, and options for 3,600 shares were terminated by lapse.

The effect of outstanding stock options in the computation of net earnings per share of common stock was insignificant.

DIVIDENDS

Tables 4-2 and 4-3 show, respectively, that 80% of the survey companies paying cash dividends to common stockholders and 70% of the survey companies paying cash dividends to preferred stockholders disclosed the per share amount of such dividends in the statement of retained earnings.

Cash Dividends

ARDEN-MAYFAIR, INC.

Consolidated Retained Earnings Statements

	Fifty Three Weeks Ended Jan. 3, 1970	Fifty Two Weeks Ended Dec. 28, 1968
Balance, beginning of year	$ 7,937,060	$6,645,076
Add: Net income	2,197,934	2,738,145
	10,134,994	9,383,221
Less: Cash dividends:		
Preferred stock, $3.11¼ and $3.07½ per share, respectively	472,859	467,280
Convertible preference stock, $5.00 per share	150,000	137,500
Common stock, $.45 and $.30 per share, respectively	1,259,563	841,381
	1,882,422	1,446,161
Balance, end of year	$ 8,252,572	$7,937,060

TABLE 4-2: DIVIDENDS ON COMMON STOCK

Presentation*	1969	1968	1967	1965
Cash dividends shown separately:				
A: Per share amount shown	423	432	462	401
B: Per share amount not shown	101	101		
C: Other presentations	12	9		
Subtotal	536	542	565	568
D: Dividends of pooled companies	64	75	N/C	N/C
Stock dividends (see Table 4-4)	58	60	57	57
Total	658	677	622	625
Number of companies:				
Showing cash or stock dividends	549	552		
Payments by pooled companies only	3	6		
No dividends	48	42		
Total	600	600		

* Refer to Company Appendix Section—A: 4, 107, 193, 238, 317; B: 210, 231, 235, 617, 618, 633; C: 1, 151; D: 66, 77, 384, 467, 468, 703.

HAMPTON SHIRT CO., INC.
Consolidated Statement of Income and Retained Earnings

	1969	1968
Net Income	$ 724,505	$ 989,893
Retained Earnings—at Beginning of the Year	3,215,044	3,763,183
	$3,939,549	$4,753,076
Cash Dividends Paid: (Note 5)		
Preferred ($7.00 per Share in 1969	$ 58,517	$ 39,011
Common ($.24 per Share in 1969)	118,301	—
Class "A" ($.01 per Share in 1969)	11,321	—
Pooled Companies Prior to Merger	14,857	258,571
Excess of Aggregate par value of the newly issued Capital Stock over the Aggregate par Value of the Old Capital Stock	—	1,240,450
	$ 202,996	$1,538,032
Retained Earnings—at End of Year	$3,736,553	$3,215,044

Note 5 (in part): (a) Common stockholders may receive such dividends as declared provided all dividends due on the first preferred stock and the class "A" stock have been paid.

Class "A" stockholders shall be entitled to annual dividends of one cent per share in each calendar year provided the dividends due on the first preferred stock have been paid.

Class "A" stock may be converted into common stock, share for share at the option of the holders as follows:

226,417 shares at any time on or after July 1, 1970, 226,416 shares at any time on or after July 1st of each year from 1971 to 1973 and 226,417 shares on or after July 1, 1974.

Converted shares may not be reissued. As a result the authorized Class "A" shares are reduced to reflect conversions during the year.

At December 27, 1969, 1,132,082 shares of the authorized common stock were reserved for issuance upon conversion of Class "A" stock.

MIDAS-INTERNATIONAL CORPORATION
Consolidated Statements of Retained Earnings

	1969	1968
Retained Earnings at Beginning of Year	$19,247,551	$16,879,443
Net Income for Year	2,398,269	3,623,710
Equity in Undistributed Earnings of Foreign Corporations Prior to Acquisition of Additional Equity to 51% in 1968		224,538
	$21,645,820	$20,727,691
Dividends		
Stock		$ 643,554
Cash		
Class A Common Stock (36 cents per share for 1969 and 33 cents share for 1968)	$ 1,043,249	$ 830,984
Class B Common Stock (1.65 cents per share for 1968)		5,602
	$ 1,043,249	$ 1,480,140
Retained Earnings at End of Year	$20,602,571	$19,247,551

TABLE 4-3: DIVIDENDS ON PREFERRED STOCK

Presentation*	1969	1968
Full dividends being paid currently:		
A: Per share amount shown	178	160
B: Per share amount not shown	78	81
C: Not currently payable (newly-issued)	7	5
D: Dividends in arrears	3	6
Number of Companies		
With preferred stock	266	252
Without preferred stock	334	348
Total	600	600

* Refer to Company Appendix Section—A: 16, 111, 202, 313, 398, 495; B: 8, 101, 105, 332; C: 23, 305; D: 572.

INGERSOLL-RAND COMPANY
Changes in Retained Earnings

	1969	1968
Earnings retained for use in the business at beginning of year as previously reported	$327,641,000	$225,408,000
Adjustments resulting from accounting for poolings of interests—1969	(1,871,000)	(2,029,000)
Adjustments resulting from accounting for poolings of interests—1968	—	71,461,000
Earning retained for use in the business at beginning of year as restated	325,770,000	294,840,000
Net earnings for the year	66,434,000	63,591,000
	392,204,000	358,431,000
Cash dividends:		
Preferred stock, $6 per share	152,000	152,000
Preference stock, $2.35 per share	7,688,000	—
Common stock $2 per share	29,839,000	27,040,000
By acquired companies prior to pooling	34,000	5,272,000
Cancellation of treasury stock by acquired company prior to pooling	—	197,000
	37,713,000	32,661,000
Earnings retained for use in the business at end of year	$354,491,000	$325,770,000

Dividends in Arrears

GENERAL REFRACTORIES COMPANY
Notes to Consolidated Financial Statements

Note 4 (in part): *Preferred Shares, Common Shares and Paid-in Capital*—The first series preferred shares are entitled to cumulative cash dividends at an annual rate of $5 and each share is convertible into five common shares at the option of the holder. Liquidation and redemption value is $105 per share, plus accumulated and unpaid dvidends. As of December 31, 1969, three quarterly dividend payments amounting to $3.75 per share or $230,468 in the aggregate were unpaid. No cash dividends may be paid on the common shares of the Company until all dividends in arrears on the preferred shares have been fully paid. The preferred shares may be redeemed at the Company's option anytime after December 31, 1972. A sinking fund for redemption, equal to ten percent of the redemption price is required to be established starting in September 1973 and yearly thereafter so long as any shares shall be outstanding.

Dividend Payable in Stock of Another Company

J. RAY McDERMOTT & CO., INC.
Consolidated Statements of Retained Earnings and Capital in Excess of Par Value

Retained Earnings:	1969	1968
Balance, beginning of year	$ 94,740,908	$ 72,517,122
Add:		
Net income	29,901,126	28,405,347
	$124,642,034	$100,922,469
Deduct:		
Cash dividends paid on common stock ($1.00 per share)	$ 6,288,893	$ 6,181,561
Dividend in kind	974,224	—
	$ 7,263,117	$ 6,181,561
Balance, end of year	$117,378,917	$ 94,740,908
Capital in Excess of Par Value:		
Balance, beginning of year	$ 31,777,383	$ 30,147,360
Add:		
Excess of proceeds over par value of common stock issued upon exercise of stock options	985,054	1,630,023
Excess of market value over par value of common stock issued in connection with the executive career stock plan	6,136,475	—
Balance, end of year	$ 38,898,912	$ 31,777,383

Notes to Consolidated Financial Statements

Note 14: In July, 1968, the Company distributed to its shareholders of record June 21, 1968, 5 shares of TransOcean Oil, Inc., a wholly owned subsidiary, for each 100 shares of the Company's stock held. TransOcean Oil, Inc. was formed in April, 1968, and subsequently the oil and gas properties of the Company were transferred to it.

STOCK DIVIDENDS

Chapter 7, Section B of *Accounting Research Bulletin 43,* issued in June 1953 by the committee on accounting procedure of the American Institute of Certified Public Accountants, provides the following comments concerning the accounting aspects of stock dividends:

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.

. . . .

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.

. . . .

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 issuance of shares, would destroy the presumption that transactions represented to be split-ups should be recorded as split-ups.

Opinion No. 15—Earnings Per Share, issued in May 1969 by the Accounting Principles Board of the American Institute of Certified Public Accountants, refers to Chapter 7, Section B and states:

48. *Stock dividends or splits.* If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse split, the computations should give retroactive recognition to an appropriate equivalent change in capital structure for all periods presented. If changes in common stock resulting from stock dividends or stock splits or reverse splits have been consummated after the close of the period but before completion of the financial report, the per share computations should be based on the new number of shares because the readers' primary interest is presumed to be related to the current capitalization. When per share computations reflect such changes in the number of shares after the close of the period, this fact should be disclosed.

Eleven survey companies distributed stock dividends subsequent to the close of the reporting period; 8 of these companies presented per share computations reflecting such stock dividends.

Table 4-4 shows the number of companies distributing stock dividends. Examples of stock dividend presentations follow.

TABLE 4-4: STOCK DIVIDENDS

Percent*	1969	1968	1967
A: 5% or less	50	49	49
B: More than 5%, but not more than 10%	5	8	7
More than 10%	3	3	1
Total	58	60	57

* Refer to Company Appendix Section—A: 4, 57, 606, 661; B: 532, 710.

THE GRAND UNION COMPANY

Consolidated Statements of Income and Retained Earnings

	Fifty-two weeks ended Mar. 1, 1969	Fifty-three weeks ended Mar. 2, 1968
Net income	$13,318,778	$11,380,042
Retained earnings, beginning of period	16,953,477	14,005,252
	30,272,255	25,385,294
Less dividends:		
On common stock:		
In cash, 60¢ per share	3,854,460	3,468,234
In common stock, based on market price, 5%	6,898,666	4,724,487
On 4½% cumulative preferred stock, in cash	215,819	239,096
Retained earnings, end of period	$19,303,310	$16,953,477

Financial Notes

Note 4: Common and Preferred Stock—

(a) Common Stock:	Number of Shares
Balance, March 2, 1968	5,908,936
Stock dividend (5%)	299,942
Stock options exercised	30,329
Debentures converted	350,614
Balance, March 1, 1969	6,589,821

(b) Preferred Stock: During the period ended March 1, 1969, 22,681 shares were purchased and retired by the company.

TELEDYNE, INC.

Consolidated Statements of Retained Earnings

For the Years Ended October 31, 1969 and 1968

	1969	1968
Balance, beginning of Period	$127,293,000	$120,128,000
Add or (Deduct):		
Net income	60,103,000	45,592,000
Fair value of common stock dividends (Note 5)	(34,721,000)	(29,642,000)
Difference between cost and book value of common stock acquired by subsidiary	(5,321,000)	—
Cash dividends paid or accrued on preferred stock	(5,181,000)	(2,105,000)
Dividends paid by pooled businesses prior to pooling	(809,000)	(5,882,000)
Cost of treasury stock acquired by pooled businesses prior to pooling	—	(406,000)
Net income or loss of pooled businesses for periods excluded from or duplicated in the consolidated statements of income	—	(392,000)
Balance, End of Period	$141,364,000	$127,293,000

Note 5 (in part): *Capital stock*—At October 31, 1969, the Company's capital stock consisted of the following shares:

	Authorized	Outstanding 1969	Outstanding 1968
Cumulative Convertible Preferred Stock, $1 par value	15,000,000		
$6 series		519,107	251,015
$3.50 series		808,062	597,588
Series B		192,883	247,440
Series C		21,728	23,064
Common stock, $1 par value	60,000,000	24,942,442	11,686,591

AIR PRODUCTS AND CHEMICALS INC.

Statements of Changes in Stockholders' Investment

	Common Stock ($1 Par Value)	Capital In Excess of Par Value	Retained Earnings
Balance, Beginning of Year 1968	$4,774,000	$60,501,000	$48,981,000
Net Income			12,122,000
Cash Dividends			
Convertible Preferred stock			(1,148,000)
Common Stock, 20¢ per share			(945,000)
Acquired companies prior to acquisition			(217,000)
Shares issued for:			
2% Stock Dividend	93,000	3,288,000(c)	(3,381,000)(a)
Stock Options	13,000	235,000(b)	
Conversion of 4¾% Convertible Subordinated Note	190,000	2,310,000(d)	
Treasury stock transferred to Trustees of Employees Savings and Stock Ownership Plan	5,000	199,000(c)	
Miscellaneous		(36,000)	
Balance, Beginning of Year 1969	5,075,000	66,497,000	55,412,000
Net Income			13,619,000
Cash Dividends			
Convertible Preferred Stock			(1,148,000)
Common Stock, 20¢ per share			(1,021,000)
Acquired companies prior to acquisition			(24,000)
Shares issued for:			
2% Stock Dividend	102,000	4,479,000(c)	(4,581,000)(a)
Stock Options	15,000	360,000(b)	
Treasury stock transferred to Trustees of Employees Savings and Stock Ownership Plan	8,000	289,000(c)	
Miscellaneous		(31,000)	
Balance, End of Year 1969 ($29,900,000 of Retained Earnings restricted)	$5,200,000	$71,594,000	$62,257,000

(a) Quoted market price.
(b) Excess of option price over par value.
(c) Excess of market price over par value.
(d) Excess of principal over par value.

ROHM AND HAAS COMPANY

Statement of Retained Earnings

	1969	1968
Retained Earnings at Beginning of Year	$62,561,000	$58,500,000
Net earnings for the year	33,534,000	34,805,000
	96,095,000	93,305,000
Deduct:		
Cash dividends paid—$1.60 per share (equivalent to $1.52 on increased shares after issuance of stock dividends)	9,337,000	8,991,000
Common stock dividend—5% capitalized at market value	23,766,000	21,753,000
	33,103,000	30,744,000
Retained Earnings at End of Year	$62,992,000	$62,561,000

Notes to 1969 Consolidated Financial Statements

Note 4: Capital Surplus—The increase during the year of $22,053,000 represents the $22,281,000 excess of market value over par value of 297,080 shares of common stock issued as a 5% stock dividend less the $228,000 excess of cost over market value of 8,888 reacquired shares issued to employees as stock awards and bonuses.

WHITE CONSOLIDATED INDUSTRIES, INC.

Statement of Consolidated Common Stock, Other Capital and Retained Income

	Common Stock Shares	Common Stock Amount	Other Capital	Retained Income
Balance January 1, 1968	9,899,438	$ 4,515,267	$33,126,249	$43,941,413
Net income				27,935,616
Dividends:				
Cash:				
Serial Preferred Stock—$3.00 a share—annual rate				(2,922,240)
Common Stock—$.325 a share				(3,079,236)
In Common Stock—2%		67,806	4,303,013	(4,370,819)
Exercise of stock options and conversion of debentures	89,186	66,961	1,377,318	
Par value of shares issued as a two-for-one stock split		4,598,692	(4,598,692)	
Issuance of Common Stock	270,000	250,000	7,687,500	
Other transactions			(91,146)	(2,792,638)
Balance December 31, 1968	10,258,624	9,498,726	41,804,242	58,712,096
Net income				29,853,169
Dividends:				
Cash:				
Serial Preferred Stock—$3.00 a share—annual rate				(4,718,574)
Common Stock—$.385 a share				(3,955,648)
In Common Stock—8%		760,646	21,248,646	(22,009,292)
Common Stock sold under stock option plans	9,563	8,972	117,004	
Adjustment relative to conversion of debentures	3,557	3,400	97,667	
Balance December 31, 1969	10,271,744	$10,271,744	$63,267,559	$57,881,751

THE GENERAL TIRE & RUBBER COMPANY

Years Ended November 30,	1969	1968
Retained Earnings		
Balance, beginning of year	$283,395,000	$267,743,000
Net income for year	35,131,000	43,326,000
RKO General, Inc. adjustments	(746,000)	851,000
Reduction of General Tire's equity in the retained earnings of Aerojet-General Corporation resulting from the sale of common stock by Aerojet	(2,568,000)	—
Other transaction	133,000	—
	315,345,000	311,920,000
Cash dividends:		
On preference stock	736,000	780,000
On common stock (1969—$1.00 per share)	17,632,000	15,405,000
	18,368,000	16,185,000
Stock dividends declared—2% payable February 28, 1970 at approximate market values	6,495,000	12,340,000
	24,863,000	28,525,000
Balance, end of year	$290,482,000	$283,395,000

Statement of Consolidated Income

	1969	1968
Per share of common stock (adjusted to reflect 2% stock dividend payable February 28, 1970):		
Income before extraordinary items	$ 2.08	$ 2.36
Extraordinary items	(.18)	.03
Net income for year	$ 1.90	$ 2.39

BELDING HEMINWAY COMPANY, INC.

Consolidated Statement of Income and Retained Earnings

Year Ended December 31,	1969	1968
Net income	$ 2,073,000	$ 2,082,000
Retained Earnings at beginning of year	13,937,000	13,137,000
	16,010,000	15,219,000
Cash dividends	(749,000)	(575,000)
Stock dividend (Note F)	(819,000)	(707,000)
Retained Earnings at end of year	$14,442,000	$13,937,000
Per share of Common Stock (based on average number of shares outstanding in each year):		
Income before extraordinary items	$1.61	$1.35*
Extraordinary items		.29*
Net income	$1.61	$1.64*

* Retroactively adjusted for the 3% stock dividend in 1969.

Note F—During the year, the Company (1) increased the number of its authorized shares of Common Stock from 1,500,000 to 3,000,000 shares, (2) created a new class of Preferred Stock, par value $1 per share, (3) declared a 3% stock dividend (distributed in January 1970) which, based upon market quotation, resulted in a deduction of $819,000 from Retained Earnings and additions of $38,000 to Common Stock and $781,000 to Capital Surplus, (4) issued 15,000 shares of Treasury Stock in payment of a $400,000 obligation; the excess ($344,000) of the obligation over the cost of the Treasury Stock issued has been credited to Capital Surplus, and (5) issued 10,000 shares of Treasury Stock as partial payment of its pension plan cost; the excess ($154,000) of the pension plan cost paid over the cost of the Treasury Stock issued has been credited to Capital Surplus.

JANTZEN INC.

Statement of Consolidated Income and Retained Earnings

Year Ended August 31,	1969	1968
Net Income	$2,561,788	$2,700,822
Retained Earnings at Beginning of Year	5,452,870	3,525,135
Cash dividends	(845,563)	(773,087)
Retained Earnings at End of Year	$7,169,095	$5,452,870
Earnings per share based on average shares outstanding:		
Before November 1, 1969 stock dividend	$1.77	$1.86
After giving effect to November 1, 1969 stock dividend	1.68	1.77

Notes to Financial Statements

Note 5 (in part): *Common Stock*—On September 24, 1969, The Board of Directors declared a five percent stock dividend payable November 1, 1969 to stockholders of record October 15, 1969.

STOCK SPLITS

Chapter 7, Section B of *Accounting Research Bulletin 43*, issued in June 1953 by the committee on accounting procedure, provides the following comments concerning the accounting aspects of stock split-ups:

2. The term *stock split-up* as used in this chapter refers to an issuance by a corporation of its own common shares to its common shareholders without consideration and under conditions indicating that such action is prompted mainly by a desire to increase the number of outstanding shares for the purpose of effecting a reduction in their unit market price and, thereby, of obtaining wider distribution and improved marketability of the shares.

. . . .

11. Where the number of additional shares issued as a stock dividend is so great that it has, or may reasonably be expected to have, the effect of materially reducing the share market value, the committee believes that the implications and possible constructions discussed in the preceding paragraph are not likely to exist and that the transaction clearly partakes of the nature of a stock split-up as defined in paragraph 2.

Consequently, the committee considers that under such circumstances there is no need to capitalize earned surplus, other than to the extent occasioned by legal requirements. It recommends, however, that in such instances every effort be made to avoid the use of the word *dividend* in related corporate resolutions, notices, and announcements and that, in those cases where because of legal requirements this cannot be done, the transaction be described, for example, as a *split-up effected in the form of a dividend.*

. . . .

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.

Opinion No. 15—Earnings Per Share, issued in May 1969 by the Accounting Principles Board of the American Institute of Certified Public Accountants, refers to Chapter 7, Section B and states:

48. *Stock dividends or splits.* If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse split, the computations should give retroactive recognition to an appropriate equivalent change in capital structure for all periods presented. If changes in common stock resulting from stock dividends or stock splits or reverse splits have been consummated after the close of the period but before completion of the financial report, the per share computations should be based on the new number of shares because the readers' primary interest is presumed to be related to the current capitalization. When per share computations reflect such changes in the number of shares after the close of the period, this fact should be disclosed.

Table 4-5 shows the number of survey companies presenting stock splits and also summarizes the accounting treatments for stock splits. Examples of stock splits follow.

TABLE 4-5: STOCK SPLITS

Ratio*	1969	1968	1967
Less than three-for-two	1	4	4
A: Three-for-two (50%) or more, but less than two-for-one	9	19	12
B: Two-for-one (100%)	56	54	37
C: Greater than two-for-one	5	7	4
Total	71	84	57
Account Charged*			
D: Additional capital	29	31	22
E: Additional capital (if any) eliminated; balance to retained earnings	5	8	7
F: Retained earnings (additional capital not charged)	4	10	6
G: No change in capital accounts	33	35	22
Total	71	84	57

* Refer to Company Appendix Section—A: 35, 402; B: 43, 47, 53, 372, 398; C: 316; D: 274, 319, 334, 441; E: 15; F: 711; G: 124, 563, 566, 617.

Charge to Additional Capital

AMERICAN ENKA CORPORATION

Consolidated Statement of Financial Condition

Stockholders Equity:	1969	1968
Capital		
Preferred stock—without par value; authorized 1,000,000 shares, issued—none		
Common Stock $1.25 par value; authorized 20,000,000 shares, issued 8,132,688 shares	$ 10,165,860	$ 6,777,240
Capital in excess of par value	15,209,071	18,597,691
	25,374,931	25,374,931
Accumulated income reinvested in the business	129,231,573	115,939,400
	154,606,504	141,314,331
Treasury stock: 1969—139,150 shares; 1968—106,875 shares	3,363,069	2,445,992
Total stockholders equity	151,243,435	138,868,339

Notes to Consolidated Financial Statements

Note 1: Capital Stock—On March 12, 1969, the stockholders approved: (a) an increase in authorized capital to 20,000,000 shares of common stock, $1.25 par value; 1,000,000 shares of preferred stock, without par value, to be issuable in series and (b) a 3-for-2 stock split of the common stock. Capital in excess of par value has been charged $3,388,620, the par value of the shares issued in the split.

BURROUGHS CORPORATION
Notes to Consolidated Financial Statements

Note 4: Common Stock and Paid-in Capital—On March 26, 1969, the shareholders approved a two-for-one stock split effective March 28, 1969, and amended the Articles of Incorporation to increase the number of authorized shares from 12,000,000 shares of $5.00 par value common stock to 30,000,000 shares of $5.00 par value to accommodate the split and provide additional authorized shares of the Company's common stock.

Changes in common stock and paid in capital are summarized as follows:

	Common Stock		
	Shares	Amount	Paid-In Capital
Balance at December 31, 1968	8,269,077	$41,345,385	$ 70,812,440
Two-for-one stock split on March 28, 1969	8,270,075	41,350,375	(41,350,375)
Conversion of 3¾% convertible subordinated debentures	590,461	2,952,305	70,430,698
Sale of stock under the stock option and purchase plans	126,164	630,820	10,254,101
Balance at December 31, 1969	17,255,777	$86,278,885	$110,146,864

Treasury stock consists of 23,340 shares in 1969 at cost as compared to 21,520 shares in 1968, adjusted for the two-for-one stock split.

Charge to Retained Earnings and Additional Capital

OSCAR MAYER & CO. INC.
Consolidated Statement of Income and Accumulated Earnings

	Fifty-two weeks ended	
	Oct. 25, 1969	Oct. 26, 1968
Net Income for the period	$12,814,039	$11,774,754
Accumulated earnings at beginning of period	66,225,844	58,996,620
	79,039,883	70,771,374
Deduct:		
Dividends paid in cash	5,049,521	4,545,530
Transfer to common stock due to stock split as of December 26, 1969 (Note F)	21,602,544	—
	26,652,065	4,545,530
Accumulated Earnings at end of period	$52,387,818	$66,225,844
Per Share: adjusted for stock split—Note F)		
Net income	$ 1.40	$ 1.30
Dividends	.55	.50

Note F: Shareholders' Equity—On December 2, 1969, the shareholders approved a 2,000,000 share increase in the authorized common stock of the company. Following this increase, the Board of Directors authorized a two-for-one stock split to be effected on December 26, 1969. Accordingly, the financial statements at October 25, 1969 have been adjusted to give effect to this stock split. The par value of the shares to be issued was transferred to the capital stock account from the available balance of additional paid-in capital ($1,384,836) and from accumulated earnings ($21,602,544).

POTLATCH FORESTS, INC.
Consolidated Statements of Other Capital

For the Years Ended December 31,	1969	1968
Balance at beginning of year	$90,777,697	$61,808,246
Add:		
Excess of proceeds over par value of shares issued relative to stock options exercised (shares exercised: 37,167 in 1969)	959,589	951,205
Excess of fair market value over par value of common stock shares issued as a stock dividend	—	28,018,246
	91,737,286	90,777,697
Deduct par value of shares issued in 7-for-5 stock split	2,008,062	—
Balance at end of year	$89,729,224	$90,777,697

Notes to Consolidated Financial Statements

Note 8 (in part): *Capital Stock*—The company distributed a 7-for-5 stock split effected in the form of a 40% stock dividend on September 26, 1969. All earnings and dividends per share figures and shares under stock option for all periods have been retroactively restated to reflect the increased number of shares outstanding.

LOEW'S THEATRES, INC.
Statement of Consolidated Earnings and Earnings Retained in the Business

For the Years Ended August 31, 1969	1969	1968
Net Earnings	$ 31,622,234	$ 35,187,974
Earnings Retained in the Business, beginning of year	112,784,103	89,423,245
Deduct:		
Dividends paid, $.13-1/3 per share in 1969, and $.13-1/3* per share in 1968	(1,913,246)	(1,907,278)
Transfer to common stock in connection with 3-for-1 stock split (Note 5)	(2,792,492)	
Charges in connection with retirement of shares of treasury stock		(9,919,838)
Earning Retained in the Business, end of year	$139,700,599	$112,784,103

Note 5: Common Stock—In November, 1968, the authorized common shares were increased from 15,000,000 shares to 30,000,000 shares and two additional shares were issued for each share then outstanding to effect a 3-for-1 stock split. The par value of the shares issued as a result of the stock split was charged to additional paid-in capital and earnings retained in the business.

Changes in common shares were as follows:

Shares outstanding, August 31, 1968	4,768,745
Shares issued during the year:	
Exercise of stock options	61,340
Issued for acquisitions	64,000
Conversion of 5½% convertible subordinated debentures	4,375
Exercise of warrants	256
3-for-1 stock split	9,539,547
Shares outstanding, August 31, 1969	14,438,263

Note 6: Additional Paid-In Capital—

Changes in additional paid-in capital were as follows:

Balance, August 31, 1968	$ 6,632,284
Fair value of warrants issued in acquisition	103,658,512
Exercise of warrants	8,704
Exercise of stock options	1,845,667
Conversion of 5½% convertible subordinated debentures	188,605
Transfer to common stock in connection with 3-for-1 stock split	(6,747,055)
Balance, August 31, 1969	$105,586,717

Note 6 (in part): Common Stock—On October 24, 1968, the Company's authorized Common Stock was increased from 25,000,000 shares to 40,000,000 shares, and each outstanding share of Common Stock was converted into 1-2/3 shares (5-for-3 split). This stock split has been retroactively reflected in the financial statements for the prior year and, as a result, the 12,251,438 shares previously reported as outstanding at June 29, 1968, have been restated as 20,419,062 shares. All references to Common shares in the accompanying financial statements, including those for the prior year, give effect to the 5-for-3 split.

Charge to Retained Earnings

CONSOLIDATED FOODS CORPORATION
Consolidated Statement of Retained Earnings

	1969	1968
Balance at beginning of year		
For 1968—as previously reported		$164,949,355
For 1969—as restated herein	$227,923,672	
Add — Restatement for companies added through poolings of interests	4,018,695	28,949,011
Balance at beginning of year as restated	231,942,367	193,898,366
Add (Deduct):		
Net income	49,689,960	56,479,907
Dividends—		
Consolidated Foods Corporation cash dividends—		
Common stock (1969—$.97½; 1968—$.88½ per share)	(20,250,850)	(16,561,408)
Preferred stock ($4.50 per share)	(4,499,601)	—
Cash and stock dividends of acquired companies prior to poolings of interests	(1,602,555)	(5,714,433)
Par value of shares issued in 5-for-3 split of outstanding Common shares (Note 6)	(10,962,489)	—
Redemption of stock of pooled company prior to pooling of interests	(11,083,336)	—
Miscellaneous transactions of acquired companies prior to poolings of interests	—	(178,760)
Balance at end of year	$233,233,496	$227,923,672

DANA CORPORATION
Consolidated Statement of Net Income Retained for Use in the Business

	1969	1968
Balance at beginning of period, as previously reported		$170,208,000
Adjustment arising from consolidation of majority-owned Canadian subsidiary		3,851,000
Balance at beginning of period, as restated	$188,713,000	174,059,000
Net income for the period	33,778,000	29,339,000
Cash dividends:		
On preference stock	(33,000)	(43,000)
On common stock	(15,745,000)	(14,533,000)
On Mardigian Corporation common stock prior to date of pooling		(109,000)
Distribution on May 15, 1969 of 6,807,528 shares of common stock on the basis of one new share for each share held	(6,807,000)	
Balance at end of year	$199,906,000	$188,713,000

Notes to Consolidated Financial Statements

Note 6: Capital Stock—Changes in the capital stock accounts during the year ended August 31, 1969 were as follows:

(In Thousands)

	$100 par value Preference Stock		$1 par value Common Stock	
	Issued	Treasury	Issued	Treasury
Balance, Aug. 31, 1968	$3,470	$(2,067)	$6,793	$(3,855)
Par value of 32,662 common shares issued under employee stock option plans			33	
Retirement of 3,408 preference shares	(341)	306		
Par value of 6,807,528 common shares issued in connection with 1 for 1 stock distribution			6,807	
Cost of 2,992 preference shares acquired during year		(228)		
Cost of 71,950 common shares acquired during year				(1,757)
Cost of 25,000 common treasury shares exchanged for common stock of a majority-owned subsidiary				436
Balance Aug. 31, 1969	$3,129	$(1,989)	$13,633	$(5,206)

No Change in Capital Accounts

BATH INDUSTRIES, INC.
Financial Report
For the year ended December 31, 1969

Change in Capitalization—On August 19, 1969, the stockholders approved a two for one split of the common and preferred stock. This action had the effect of doubling the number of shares of each class outstanding without changing the capital accounts of the company. Accordingly, the per share stated value of the Series A preferred was reduced from $2.43 per share to $1.215 and par value of the common stock was reduced from $1.00 to $.50 per share. All references to common or preferred stock reflect the retroactive restatement of this split.

H. J. HEINZ COMPANY
Notes to Financial Statements

Note 5: Capital Stock—The number of shares outstanding, issued, retired, or converted, and the par values are as follows:

	Preferred stocks			
		Second cumulative preferred		
	Cumulative Preferred, 3.65% series, $100 par	$3.50 First series, $18.50 par	$3.50 Second series, $18.50 par	Common stock, $4.16⅔ par
Outstanding May 1, 1968, as restated to give effect to 2-for-1 common stock split	47,372	279,476	98,353	11,487,092
Reacquired and retired	(2,990)	—	—	—
Converted to common stock	—	(181,783)	(25,639)	—
Issued for second cumulative preferred stock:				
$3.50 first series	—	—	—	807,860
$3.50 second series	—	—	—	102,556
Issued on exercise of stock options	—	—	—	91,500
Issued on conversion of management profit sharing liability to common stock	—	—	—	82,854
Outstanding April 30, 1969	44,382	97,693	72,714	12,571,862

On February 18, 1969, the shareholders approved a two-for-one common stock split and reduced the par value of common stock from $8.33-1/3 to $4.16-2/3 per share, with no change in stated capital. All references to number of shares of common stock, and related dividends and income per share give effect to such stock split. The authorized common stock was also increased to 20,000,000 shares.

PRATT & LAMBERT, INC.
Notes to Financial Statements

Note C: Capital Stock—During 1969, 1,356 Series A preferred shares were converted into 2,712 common shares. The Company may redeem the Series A preferred shares commencing in 1973 at $45 a share. At December 31, 1969, 262,248 common shares were reserved for conversion privileges of the Series A preferred shares.

On April 10, 1969, the shareholders approved a change in the authorized common shares of the Company from 2,500,000 shares, par value $10 to 5,000,000 shares, par value $5 and authorized a stock distribution of one additional share for each share then outstanding to effect a two-for-one stock split. In conjunction with the above change the shareholders also authorized a change in the voting rights of the Series A preferred shares by increasing the votes per share from one to two. Shares of common stock and dividends per share as shown in the accompanying financial statements and related notes, have been restated to reflect the two-for-one stock split.

SETON COMPANY
Notes to Consolidated Financial Statements

Note 3: Stockholders' Equity—On March 18, 1969, shareholders approved a change in authorized stock of the Company. The amended certificate of incorporation authorized the change in common stock from 1,000,000 shares, without par value, stated value $1 per share, to 5,000,000 shares, without par value, stated value $.50 per share; and also authorized 1,000,000 shares of a new class designated Preferred Stock. The shareholders also approved a two-for-one stock split to be effected by changing each issued share of common stock, without par value (including 85,500 shares held as treasury stock), stated value $1 per share into two shares of common stock, stated value $.50 per share.

For comparative purposes, common stock at December 29, 1968 has been stated on the new basis.

PRIOR PERIOD ADJUSTMENTS

Opinion No. 9—Reporting the Results of Operations, issued in December 1966 by the Accounting Principles Board of the American Institute of Certified Public Accountants, states in part:

17. The Board has considered various methods of reporting the effects of extraordinary events and transactions and of prior period adjustments which are recorded in the accounts during a particular accounting period. The Board has concluded that net income should reflect all items of profit and loss recognized during the period with the sole exception of the prior period adjustments described below. . . .

18. With respect to *prior period adjustments,* the Board has concluded that those rare items which relate directly to the operations of a specific prior period or periods, which are material and which qualify under the criteria described in paragraphs 23 and 25 below should, in single period statements, be reflected as adjustments of the opening balance of retained earnings. When comparative statements are presented, corresponding adjustments should be made of the amounts of net income (and the components thereof) and retained earnings balances (as well as of other affected balances) for all of the periods reported therein, to reflect the retroactive application of the prior period adjustments. (See paragraph 26 for required disclosures of prior period adjustments.)

Criteria for Prior Period Adjustments

23. Adjustments related to prior periods—and thus excluded in the determination of net income for the current period—are limited to those material adjustments which (a) can be specifically identified with and directly related to the business activities of particular prior periods, and (b) are not attributable to economic events occurring subsequent to the date of the financial statements for the prior period, and (c) depend primarily on determinations by persons

other than management and (d) were not susceptible of reasonable estimation prior to such determination. Such adjustments are rare in modern financial accounting. They relate to events or transactions which occurred in a prior period, the accounting effects of which could not be determined with reasonable assurance at that time, usually because of some major uncertainty then existing. Evidence of such an uncertainty would be disclosure thereof in the financial statements of the applicable period, or of an intervening period in those cases in which the uncertainty became apparent during a subsequent period. Further, it would be expected that, in most cases, the opinion of the reporting independent auditor on such prior period would have contained a qualification because of the uncertainty. Examples are material, nonrecurring adjustments or settlements of income taxes, of renegotiation proceedings or of utility revenue under rate processes. Settlements of significant amounts resulting from litigation or similar claims may also constitute prior period adjustments.

24. Treatment as prior period adjustments should not be applied to the normal, recurring corrections and adjustments which are the natural results of the use of estimates inherent in the accounting process. For example, changes in the estimated remaining lives of fixed assets affect the computed amounts of depreciation, but these changes should be considered prospective in nature and not prior period adjustments. Similarly, relatively immaterial adjustments of provisions for liabilities (including income taxes) made in prior periods should be considered recurring items to be reflected in operations of the current period. Some uncertainties, for example those relating to the realization of assets (collectibility of accounts receivable, ultimate recovery of deferred costs or realizability of inventories or other assets), would not qualify for prior period adjustment treatment, since economic events subsequent to the date of the financial statements must of necessity enter into the elimination of any previously-existing uncertainty. Therefore, the effects of such matters are considered to be elements in the determination of net income for the period in which the uncertainty is eliminated. Thus, the Board believes that prior period adjustments will be rare.

25. A change in the application of accounting principles may create a situation in which retroactive application is appropriate. In such situations, these changes should receive the same treatment as that for prior period adjustments. Examples are changes in the basis of preparing consolidated financial statements or in the basis of carrying investments in subsidiaries (e.g., from cost to the equity method).

Disclosure of Prior Period Adjustments and Restatements of Reported Net Income

26. When prior period adjustments are recorded, the resulting effects (both gross and net of applicable income tax) on the net income of prior periods should be disclosed in the annual report for the year in which the adjustments are made. When financial statements for a single period only are presented, this disclosure should indicate the effects of such restatement on the balance of retained earnings at the beginning of the period and on the net income of the immediately preceding period. When financial statements for more than one period are presented, which is ordinarily the preferable procedure, the disclosure should include the effects for each of the periods included in the statements. Such disclosures should include the amounts of income tax applicable to the prior period adjustments. Disclosure of restatements in annual reports issued subsequent to the first such post-revision disclosure would ordinarily not be required.

Historical Summaries of Financial Data

27. It has become customary for business entities to present historical, statistical-type summaries of financial data for a number of periods—commonly five or ten years. The Board recommends that the format for reporting extraordinary items described in paragraph 20 be used in such summaries. The Board further recommends that, whenever prior period adjustments have been recorded during any of the periods included therein, the reported amounts of net income (and the components thereof), as well as other affected items, be appropriately restated, with disclosure in the first summary published after the adjustments.

Table 4-6 presents a summary of the prior period adjustments reported by the survey companies for 1969. Of the companies reporting prior period adjustments, 31 failed to adjust prior year figures—usually because of a lack of materiality. Examples of prior period adjustments follow.

Poolings of Interests

BUCYRUS-ERIE COMPANY
Statement of Consolidated Earnings Retained in the Business

	1969	1968
Balance at beginning of year:		
As previously reported	$53,002,214	$47,829,215
Adjustments arising from pooling of interests — Note A	2,644,651	2,419,071
As restated	$55,666,865	$50,248,286
Net earnings for the year	11,035,130	12,448,350
	$66,701,995	$62,696,636
Cash dividends paid—$1.20 a share	$ 7,046,417	$ 6,859,971
Cash dividends paid by pooled company prior to date of acquisition	84,900	169,800
	$ 7,131,317	$ 7,029,771
Balance at end of year	$59,570,678	$55,666,865

Note A (in part): *Principles of Consolidation*—The financial statements include the accounts of the Company, its wholly-owned domestic subsidiaries and Bucyrus-Erie Company of Canada, Limited. Intercompany accounts, transactions and profits have been eliminated in consolidation.

During 1969, the Company acquired Brad Foote Gear Works, Inc. and subsidiary in exchange for 283,000 shares of common stock. This transaction has been accounted for as a pooling of interests. Accordingly, the financial statements for 1968 have been restated to include the accounts of the pooled companies.

THE B. F. GOODRICH COMPANY
Income Retained in the Business

	1969	1968*
Balance at Beginning of Year:		
As Previously Reported	$434,636,033	$399,071,201
Credits Arising from Acquisitions—Note A	196,278	21,115,442
As Restated	$434,832,311	$420,186,643
Net Income	37,800,808	44,118,342
	$472,633,119	$464,304,985
Deduct:		
Transferred to Common Stock in Connection with Three-for-Two Stock Split	—	6,792,885
Cash Dividends Paid on Common Stock: $1.72 a share in 1969; $1.66 a share in 1968	25,014,259	22,876,067
	$ 25,014,259	$ 29,668,952
Balance At End Of Year	$447,618,860	$434,636,033

* Restated to include Ameripol, Inc.

Note A (in part):

In February 1969, the Company acquired for 700,00 shares of its Common Stock, the remaining outstanding common shares of its fifty percent owned affiliate, Ameripol, Inc. (formerly Goodrich-Gulf Chemicals, Inc.). This transaction has been accounted for as a pooling of interests and accordingly, the consolidated financial statements have been restated to include the financial statements of Ameripol, Inc. from January 1, 1968.

The Company's estimated equity in the net assets of unconsolidated subsidiary and associate companies (based on their book value) at December 31, 1969, exceeded the Company's investment in such companies by $19,700,000.

TABLE 4-6: CHANGE IN OPENING BALANCE OF RETAINED EARNINGS

Reasons for Change:	1969	1968	1967	1965
Pooling of interests	185	184	114	49
Change in accounting policy	27	44	53	38
Other matters	35	19		
Total	247	247	167	87
Manner of Presentation				
Prior year balance sheet adjusted; statement shows:				
Adjusted balance only	104	106	167	87
Original amount and adjustment	112	111		
Adjustment in current year	31	30	N/C	N/C
Total	247	247		
Number of Companies				
With prior year adjustments			195	224
No prior year adjustments			405	376
Total			600	600

N/C—Not compiled.

THE MEAD CORPORATION
Statement of Retained Earnings

	1969	1968
Balance beginning of year, as previously reported	$226,379,660	$143,422,448
Acquisitions of pooled companies (Note A)	12,216,222	83,319,743
Adjustments		769,340
As restated	238,595,882	227,511,531
	35,926,287	34,079,881
Net earnings for the Year	274,522,179	261,591,412
Less:		
Cost in excess of stated value of treasury shares acquired	2,386,076	3,250,140
Cash dividends paid:		
Preferred—$4.25 a share	132,058	144,111
Preferred—$5.00 a share	165,395	165,440
Preferred—$6.00 a share	121,485	
Voting cumulative preferred (annual rate of $2.80 per share)	11,104,811	2,459,077
Common (annual rate of $1.00 a share—1969; $.95 a share—1968)	12,596,160	11,165,220
By companies acquired prior to merger	617,495	5,811,542
Balance end of year	$247,398,699	$238,595,882

Note A: Basis of Reporting—The accounts of domestic subsidiaries, which are all 100% owned, are consolidated in the accompanying financial statements; foreign subsidiaries are not consolidated.

During 1969, the Corporation exchanged 1,694,934 common shares for the business and net assets of Stanley Furniture Company. In addition, the Corporation exchanged 158,000 common shares for the business and net assets of two other companies. These transactions were treated as poolings of interests and accordingly, the accompanying statements have been restated to include the accounts of these companies for 1968. In addition,

63,084 common shares were issued for two businesses which were treated as purchases for accounting purposes.

THE NATIONAL CASH REGISTER COMPANY

Earnings Retained for Use in the Business

Balance January 1,	1969	1968
The National Cash Register Company	$230,683,000	$206,145,000
Combined Paper Mills, Inc.	18,067,000	16,553,000
	248,750,000	222,698,000
Add—Net income for the year	44,115,000	37,584,000
Deduct—Cash dividends:		
The National Cash Register Company — $1.20 per share	12,625,000	11,145,000
Pooled companies prior to acquisition	40,000	387,000
Balance December 31	$280,200,000	$248,750,000

Financial Review

Earnings (in part): In July 1969, NCR acquired 100% of the outstanding common stock of Combined Paper Mills, Inc., in exchange for 301,377 NCR common shares. This acquisition has been accounted for on a pooling-of-interests basis, and all figures for the last five-year period have been restated to include the results of CPM.

RAYBESTOS-MANHATTAN, INC.

Consolidated Statement of Retained Earnings

	1969	1968
Balance January 1, as previously reported	$44,647,099	$44,224,061
Add: Pooling of interests adjustments (Note A):		
Spartan Abrasive Company, Inc.		243,821
The Milford Rivet & Machine Co.	4,748,718	4,132,212
Balance January 1, as adjusted	49,395,817	48,600,094
Net income	4,422,157	4,774,063
Milford net earnings for two months ended December 31, 1968 (Note A)	129,300	
	53,947,274	53,374,157
Cash dividends paid:		
By company $3.00 per share	3,796,556	3,557,204
By The Milford Rivet & Machine Co. prior to acquisition	316,119	421,136
	4,112,675	3,978,340
Balance end of period	$49,834,599	$49,395,817

Note A: Basis of Consolidation—The consolidated financial statements include all wholly-owned subsidiaries. In December 1968, the Company acquired the net assets of Spartan Abrasive Company, Inc. in a "pooling of interests" transaction and purchased the related land and building faciilties from an affiliate of Spartan for 23,800 shares of the Company's Common Stock held in treasury. The earnings of Spartan prior to acquisition, which were not material, have not been included in consolidated income. In July 1969, The Milford Rivet & Machine Co. was merged into the Company upon issuance of 178,145 shares of the Common Stock of the Company in a "pooling of interests" transaction. The 1968 consolidated financial statements include the financial position of Milford as of October 31, 1968 and its earnings for the fiscal year then ended. The net sales and net income of Milford for the two months ended December 31, 1968 were $1,608,969 and $129,300 respectively; the net income for the two months ended December 31, 1968 has been credited directly to retained earnings. Milford's fiscal year-end has been changed from October 31 to December 31.

Changes in Accounting Policy

BURLINGTON INDUSTRIES, INC.

Consolidated Statement of Earnings and Retained Earnings

(All amounts in thousands, except per share data)

	1969	1968
Net earnings	$ 78,135	$ 78,952
Retained earnings at beginning of period, as previously reported	452,502	405,204
Add:		
Adjustment applicable to prior years to give effect to change in method of cost valuation of inventory initiated by the Internal Revenue Service, net of related income taxes of $4,319	8,100	—
Acquired company (pooling of interests)	7,461	—
Retained earnings at beginning of period, as adjusted	468,063	405,204
	546,198	484,156
Deduct cash dividends on common stock:		
Burlington Industries, Inc.	36,191	31,654
Acquired company	78	—
	36,269	31,654
Retained earnings at end of period	$509,929	$452,502

Notes to Consolidated Financial Statements

Note A: Valuation of Inventories—During the current year in which examination of the Company's Federal income tax returns for 1965 and 1966 was concluded, the Internal Revenue Service initiated certain changes in the method of cost valuation of inventories, and effect has been given in the accounts to these changes through the year 1969. The adjustment applicable to fiscal years through September 28, 1968 has been credited to retained earnings with no restatement of prior year earnings because all prior years would be affected and the amount for individual years would not be significant. The effect for the current year resulting from this change in method is about a 1% increase in net earnings.

KEYSTONE CONSOLIDATED INDUSTRIES, INC.

Consolidated Statements of Earnings and Retained Earnings

For the years ended June 30, 1969 and 1968

	1969	1968
Net earnings	$ 4,672,155	$ 6,379,111
Dividends paid, $2.00 per share	3,752,500	3,748,200
Balance of earnings for the year retained in the business	919,655	2,630,911
Retained earnings, beginning of year, as previously reported	82,548,304	80,112,812
Adjustment to investment in Jefferson Trust and Savings Bank of Peoria (Note B)	1,541,515	1,346,096
Retained earnings, beginning of year, as adjusted	84,089,819	81,458,908
Retained earnings, end of year	$85,009,474	$84,089,819

Note B: The Company has retroactively changed its method of carrying its investment in the Jefferson Trust and Savings Bank of Peoria from cost to cost plus equity in net earnings from date of acquisition and the financial statements for fiscal 1968 have been appropriately restated. As a result of this retroactive change in accounting the equity in undistributed earnings of Jefferson at June 30, 1967 has been credited to consolidated retained earnings. Net earnings have been increased $195,419 ($.10 per share) and $333,256 ($.18 per share)for fiscal 1968 and 1969, respectively, as a result of this change.

KOPPERS COMPANY, INC.

Consolidated Statement of Income and Earnings Retained in the Business

	1969	1968
Net income for the year	$ 18,356,974	$ 15,882,923
Earnings retained in the business at beginning of period	111,653,045	101,122,334
Increase resulting from accounting change (Note 1)	—	2,432,899
Increase (decrease) resulting from pooling of interests	(106,974)	30,683
	129,903,045	119,468,839
Cash dividends paid:		
On preferred stock, $4.00 per share	600,000	600,000
On common stock, $1.60 per share in 1969 and $1.50 per share in 1968	7,687,232	7,215,794
	8,287,232	7,815,794
Earnings retained in the business at end of period	$121,615,813	$111,653,045

Note 1 (in part): *Principles of Consolidation and Change in Accounting*—The consolidated statements include the accounts of the Company, all of its subsidiaries (except one foreign company owned 52%) and the Company's 50% share of the assets and liabilities and income and expenses of Sinclair-Koppers Company, a partnership owned by the Company and Atlantic Richfield Company.

The foreign non-consolidated subsidiary and 50% owned companies are carried at cost. One domestic company, approximately 50% owned, is carried at equity in underlying net assets. In prior years the Company carried its investment in this company at cost and reflected dividends in consolidated income as they were received. In 1969 the Company retroactively adopted the equity method of accounting for this investment, under which the Company's share in its earnings is reflected in current income. The effect of this change was to increase net income for the years 1969 and 1968 by $747,000 and $658,000, respectively, and to increase earnings retained in the business at January 1, 1968 by $2,432,899.

ST. REGIS PAPER COMPANY

Statement of Retained Earnings

Retained Earnings (Note 2):	1969	1968
Balance at January 1	$226,906,000	$220,306,000
Net earnings	41,196,000	35,331,000
	268,102,000	255,637,000
Dividends:		
Preferred stock, cash, $2.75 a share	405,000	
Common stock:		
Cash, $1.55 a share in 1969 and $1.40 in 1968	21,209,000	18,995,000
Stock, 2% in common stock at market value of $36.25 a share		9,736,000
Balance at December 31	$246,488,000	$226,906,000

Note 2 (in part): *Affiliated Companies*—In 1969 the company changed its method of accounting for its investment in Southland Paper Mills, Inc. (39 percent owned), from the cost to the equity method. Under the new method the investment is carried at cost plus the equity in undistributed earnings since dates of acquisition, and less amortization over a 40-year period of the excess of cost over the equity in Southland's net assets at dates of acquisition. As a result of the change, net earnings of the company for 1969 and 1968 and retained earnings at January 1, 1969 and 1968, were increased as follows:

	1969	1968
Net earnings	$1,887,000	$1,309,000
Retained earnings at January 1	$3,346,000	$2,037,000

Financial statements previously published for 1968 have been restated to reflect the change.

TEXAS GULF SULPHUR COMPANY

Consolidated Statement of Income and Retained Earnings

	Year ended December 31, 1969	Year ended December 31, 1968*
Net income for the Year	$ 61,466,584	$ 71,484,967
Retained Earnings January 1	298,130,111	236,755,641
	359,596,695	308,240,608
Deduct cash dividends	16,712,304	10,110,497
Retained Earnings December 31	$342,884,391	$298,130,111

* As restated—See Note 2.

Note 2: In general, the Company's policy is to depreciate and amortize property, plant, and equipment over the estimated lives of such assets using either the unit-of-production or straight-line method.

The Company and its subsidiaries are engaged in searching for minerals in many parts of the world. In that regard, expenditures are made for land, leaseholds, concessions, geological and geophysical data and drilling. During prior years, it was the Company's practice to set up a 100 per cent reserve for exploration projects until determined to be successful or abandoned.

During 1969, the Company entered into a greatly expanded program of exploration activities in areas such as Australia, Senegal, Malagasy Republic and the Gulf of Mexico. Not only were individual project costs substantially higher, but the new programs reflected a greater diversification in the nature of the Company's operations. Recognizing the significance of these changes, the Company, with the approval of its independent auditors, changed its policy in 1969 to one which is more common to the extractive industries.

Expenditures on major projects were capitalized without a reserve pending a determination of the success of the project. If the project is determined to be unsuccessful, the costs are charged to expense at the time of such determination. As in the past, expenditure on minor projects are fully reserved and general administrative expenses relating to overall exploration efforts are charged to expense as incurred.

The Company believes that a more informative income statement will result from reporting expenses or losses on unsuccessful projects in the period in which the project is determined to be unsuccessful, rather than in the period of the expenditures when it is hoped the project will be successful.

The amendment in policy was given retroactive effect to January 1, 1965, and the 1968 financial statements and the Financial Summary for 1965 to 1968 (pages 28 and 29) have been restated accordingly. As a result, previously reported net income for 1968 was increased $965,134 ($.03 per share). Had the Company not amended its policy, 1969 net income would have been lower by $4,090,931 ($.13 per share).

*Ten Year Financial Summary**

* 1965 to 1968 restated. See Note 2 to financial statements. As a result of the restatement, net income per share for 1965-1968 was increased (decreased) from previously reported amounts as follows: 1968, $965,000 or $0.03; 1967, $900,000 or $0.03; 1966, ($233,000) or ($0.01); 1965, $1,049,000 or $0.04.

Other Prior Period Adjustments

AMERICAN CYANAMID COMPANY
Consolidated Statement of Earnings Employed in the Business

	1969	1968
Balance at beginning of year as previously reported	$448,752,106	$421,130,600
Accrual in 1969 for settlement of litigation, less related tax benefits of $29,400,000 (Note 11)	24,600,000	24,600,000
Balance at beginning of year as restated	424,152,106	396,530,600
Net Earnings for the year	89,870,096	85,759,601
	514,022,202	482,290,201
Deduct:		
Dividends on Common Stock—$1.25 per share	55,107,596	55,117,784
Adjustments arising from the issuance of treasury stock upon poolings of interest	1,984,545	3,020,311
Par Value of Common Stock, previously reserved, relating to the net assets acquired in 1963 from John H. Breck, Inc.	15,000	—
	57,107,141	58,138,095
Balance at end of year	$456,915,061	$424,152,106

Note 11: Reference is made to the remarks under "Litigation" in the foregoing report of the Board of Directors, and to the comments in the President's letter to shareholders with respect to the antibiotics litigation in which the company is involved.

The accrual of $54,000,000 was established on the basis of the original settlement offers made in February 1969 (plus an amount for legal expenses) and does not include any amount in respect of litigation to which such original settlement offers do not extend, such as the pending suits (some of which allege substantial amounts of damages) involving claims on behalf of competitors, purchasers of animal feed and veterinary products, one foreign government, certain benefit and insurance plans which reimbursed individuals and the United States Government. Due to the uncertainty necessarily inherent in litigated matters of this sort, the eventual cost to the company of disposing of this litigation by way of settlement or otherwise cannot be accurately predicted. However, the company believes, on the basis of information and advice presently available, that any additional liability with respect to this antitrust litigation will not have a material adverse effect upon the consolidated financial position of the company and its subsidiaries.

The amount included in the balance sheet reflects a reduction for the October deposit in escrow of $34,392,510 and certain litigation costs.

To Our Shareholders (page 2):

As a result of the program for settling the antitrust litigation in which Cyanamid is involved, the company during 1969 accrued the amount of $54 million with respect to the settlement of certain of the damage suits filed against it, and this amount, less an estimated tax benefit of $29.4 million, has been charged against earnings of appropriate years. In October, the company deposited approximately $34.4 million in escrow under court supervision as its share of a total deposit of approximately $85.3 million made to implement a major portion of the settlement program. A further discussion of recent developments in this litigation and the settlement program appears in the section of this report captioned Litigation on page 15.

THE BLACK & DECKER MANUFACTURING COMPANY
Consolidated Earnings Retained and Used in the Business

(thousands of dollars)	Year Ended September 28, 1969	Year Ended September 29, 1968
Balance at beginning of year as previously reported		$59,682
Adjustment for prior years' income taxes		1,634
As restated	$64,886	58,048
Net income for the year	17,580	14,522
Retained earnings of subsidiary acquired during year	34	—
	82,500	72,570
Cash dividends: 1969—$1.16¼ a share; 1968—$1.05 a share	8,560	7,684
Balance at end of year	$73,940	$64,886

Notes to Consolidated Financial Statements

Note E: The Company's federal income tax returns have been examined and settled through year ended September 30, 1967. Significant principles of agreement have been used to provide estimated additional taxes for all open years. All adjustments have been recorded and amounts previously reported have been restated as an increase in tax expense for 1968 of $375,000 ($.05 per share) and an aggregate charge to retained earnings at October 1, 1967 which is comprised of the following amounts: 1967—$476,000; 1966—$330,000; 1965—$385,000; 1964—$443,000.

RICHARDSON-MERRELL INC.
Consolidated Earnings and Earnings Reinvested in the Business

(in thousands except per share figures)	1969	1968
Earnings for the year	$ 28,205	$ 24,765
Earnings Reinvested in the Business—Unappropriated		
Beginning of year, as previously reported	108,150	94,088
Adjustment (Note 8)	(988)	(988)
Beginning of year, as restated	107,162	93,100
	135,367	117,865
Less: Cash dividends—		
Common stock—$.80 per share (1968—$.65)	9,128	7,433
Preferred stock—$.69 per share	89	—
Earnings appropriated (Note 2)	8,913	3,270
	18,130	10,703
	$117,237	$107,162

Note 2: Intangible Assets represent the excess of cost over net tangible assets at the time of acquisition of products and companies acquired since 1954. The Board of Directors has authorized the appropriation from Earnings Reinvested in the Business of an amount equal to the amount carried as Intangible Assets.

Note 8: The balance of Earnings Reinvested in the Business-Unappropriated as previously reported has been restated to reflect a retroactive charge for settlements in the year ended June 30, 1969 of claims and lawsuits relating to earlier years. Such settlements and related legal and other expenses (in excess of insurance coverage) amounted to $2,180,000; the income tax reduction applicable to this amount was $1,192,000, resulting in a net charge of $988,000. Since these claims and lawsuits relate to the years 1961 and 1962, the earnings of those years as reported previously have been restated in the Statistical Summary on pages 24 and 25 as was done for similar charges in prior years. It is presently contemplated that the remaining settlements and related legal and other expenses incurred in the future will be reported as restatements of prior years rather than charges against Current Earnings.

It is the best current judgment of management, in view of the product liability insurance carried by the Company, and based on the opinion of legal counsel as to a realistic estimate of the merits of the small number of remaining claims and lawsuits for damages alleged to have resulted from the use of *MER/29* and thalidomide, that the Company's financial position will not be materially affected by any settlements of such claims or by any judgments which may be rendered against the Company in such lawsuits.

USM CORPORATION

Consolidated Statements of Income and Retained Earnings

	For Fiscal Years Ended February 28, 1969	February 29, 1968
Net income	$ 16,764,000	$ 12,947,000
Retained earnings at beginning of year:		
As previously reported		143,003,000
Less—Hanover litigation settlement net of related tax benefit ($3,238,000) (Note C)	—	2,862,000
As restated	144,771,000	140,141,000
	161,535,000	153,088,000
Cash dividends paid, including $519,000 paid to Farrell stockholders between August 1, and December 31, 1968 (preferred $1.50 per share; convertible preference $2.10 series, $0.11 per share; common $1.55 per share in 1969 and $1.50 per share in 1968)	7,833,000	7,046,000
Excess of cost over par value of re-acquired shares retired, less $17,000 allocated to additional paid-in capital	—	1,271,000
	7,833,000	8,317,000
Retained earnings at end of year	$153,702,000	$144,771,000

Note C: Hanover Litigation Settlement—On June 17, 1968, the Supreme Court reversed the judgment of the Court of Appeals for the Third Circuit in The Hanover Shoe, Inc. case and remanded the case for further proceedings consistent with its opinion, which in effect, reinstated the award by the District Court against the company.

This litigation was settled with Hanover for $6,100,000 and has been reflected, net of related tax benefit, as a prior period adjustment to retained earnings.

CPC INTERNATIONAL INC.

Statement of Income and Retained Earnings

	1969	1968
Net income for the year	$ 55,296,577	$ 53,943,144
As previously reported	—	240,965,351
Adjustment resulting from settlement of Baxter Laboratories, Inc. patent infringement suit (net of applicable income taxes)	—	(2,481,067)
As restated	267,747,218	238,484,284
	323,043,795	292,427,428
Additions and adjustments resulting from pooling of interests, acquisitions and other capital transactions	(199,290)	14,258,188
Cash dividends declared—$1.70 per share	(38,833,038)	(38,938,398)
Retained earnings at end of year	$284,011,467	$267,747,218

Notes to Financial Statements

Prior Period Adjustment—The balance sheet, retained earnings and source and disposition of funds as of December 31, 1968 have been restated to record prior period charges of $2,481,067, net of applicable income taxes of $2,777,808, for settlement of the Baxter Laboratories, Inc. patent infringement suit in 1969 pertaining to sales of certain products for years prior to 1968.

OTHER CHARGES AND CREDITS TO RETAINED EARNINGS

In 1965 the Accounting Principles Board of the American Institute of Certified Public Accountants issued *Opinion No. 6—Status of Accounting Research Bulletins,* modifying Chapter 1B of *Accounting Research Bulletin 43* (Accounting for Treasury Stock Transactions). Paragraph 12 of *Opinion No. 6* states in part:

> 12. The Board considers that the following accounting practices, in addition to the accounting practices indicated in Chapter 1B, are acceptable, and that they appear to be more in accord with current developments in practice:
>
> (a) When a corporation's stock is retired, or purchased for constructive retirement (with or without an intention to retire the stock formally in accordance with applicable laws):
>
> i. *an excess of purchase price over par or stated value* may be allocated between capital surplus and retained earnings. The portion of the excess allocated to capital surplus should be limited to the sum of (a) all capital surplus arising from previous retirements and net "gains" on sales of treasury stock of the same issue and (b) the prorata portion of capital surplus paid in, voluntary transfers of retained earnings,

TABLE 4-7: OTHER CHANGES IN RETAINED EARNINGS

Charges	1969	1968
Capital stock transactions	82	84
Pooling of interests adjustments	42	13
Other transactions—described	17	2
Unidentified charges	5	5
Total charges	146	104
Credits		
Capital stock transactions	8	9
Pooling of interests adjustments	35	9
Other transactions—described	8	6
Unidentified credits	3	4
Total credits	54	28
Total presentations	200	132
Number of Companies		
Presenting other changes in retained earnings	149	104
Only changes are income, dividends, splits and changes to opening balance	451	496
Total	600	600

capitalization of stock dividends, etc., on the same issue. For this purpose, any remaining capital surplus applicable to issues fully retired (formal or constructive) is deemed to be applicable prorata to shares of common stock. Alternatively, the excess may be charged entirely to retained earnings in recognition of the fact that a corporation can always capitalize or allocate retained earnings for such purposes.

ii. *an excess of par or stated value over purchase price* should be credited to capital surplus.

The relevant paragraphs of Chapter 1B of ARB 43 state:

7. 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.

10. Accordingly, although your committee recognizes that there may be cases where the transactions involved are so inconsequential as to be immaterial, it does not believe that, as a broad general principle, such transactions should be reflected in earned surplus (either directly or through inclusion in the income account).

The net effect of the above rulings, in conjunction with *Opinion No. 9,* quoted under Prior Period Adjustments above, is, with few exceptions, to limit transactions directly affecting the retained earnings account to the following:

Debits—Net loss for the year, dividends (stock or cash), prior period adjustments, creation or additions to appropriated retained earnings, and losses on capital stock transactions.

Credits—Net income for the year, prior period adjustments, and restorations of appropriated retained earnings.

Table 4-7 shows that the principal other charges and credits to retained earnings result from capital stock transactions or adjustments to poolings of interest transactions. Examples follow.

Capital Transactions

AMERICAN HOME PRODUCTS CORPORATION

Retained Earnings	1969	1968
Balance beginning of year	$358,880,283	$335,007,472
Net income for year	123,286,681	111,868,842
	482,166,964	446,876,314
Cash dividends declared:		
$2 convertible preferred stock	4,796,900	6,773,752
Common stock	68,761,077	60,093,355
	73,557,977	66,867,107
Excess of cost over par value of treasury stock acquired, less amount charged to capital surplus	24,089,143	21,128,924
	97,647,120	87,996,031
Balance end of year	$384,519,844	$358,880,283
Capital Surplus		
Balance beginning of year	$ 25,945,478	$ 22,973,356
Add:		
Excess of:		
Option price over par value of shares issued under Company's stock option plans	4,356,030	2,888,748
Par value of preferred stock converted into common over par value of common stock issued	1,177,439	244,463
Miscellaneous, net	129,303	265,029
	31,608,250	26,371,596
Deduct:		
Excess of cost over par value of treasury stock acquired, less amount charged to retained earnings	549,441	426,118
Balance end of year	$31,058,809	$25,945,478

GLEN ALDEN CORPORATION
Statement of Consolidated Retained Earnings

	1969	1968
Balance, January 1	$109,834,375	$ 86,813,639
Add (Deduct):		
Net income	21,767,860	23,522,354
Cash dividends declared:		
$2.25 Senior Cumulative Convertible Preferred Stock	(862,489)	(1,271,035)
Class B Senior Cumulative Convertible ($3) Preferred Stock	(2,383,341)	(3,313,751)
$3.15 Cumulative Convertible Preferred Stock	(509,761)	(1,818,577)
Common Stock ($.175 per share)		(1,359,315)
Increase arising from pooling of interests transaction		11,260,654
Cash dividends of pooled company	(2,906,879)	(723,261)
Excess of redemption price over stated value of Class C Stock redeemed	(1,818,209)	(3,639,184)
Other	138,731	362,851
Balance, December 31	$123,260,287	$109,834,375

Poolings of Interest Adjustments

U. S. INDUSTRIES, INC.
Retained Earnings

	1969	1968
Balance at beginning of year as originally reported	$112,514,000	$ 35,917,000
Acquisitions of pooled businesses	49,859,000	84,953,000
Balance at beginning of year as restated	162,373,000	120,870,000
Add (deduct)		
Net income for the year	60,235,000	49,926,000
Adjustment to conform fiscal years of pooled businesses to USI calendar year	(1,270,000)	987,000
Stock transactions of pooled business prior to acquisition	(597,000)	(907,000)
Cash dividends declared		
Special Preference Stock	(2,241,000)	(1,449,000)
Common Stock (1969—$.45 per share; 1968 — $.3875 per share	(7,301,000)	(3,621,000)
By pooled businesses prior to acquisition	(1,292,000)	(3,433,000)
Balance at end of year	$209,907,000	$162,373,000

THE L. S. STARRETT COMPANY
Consolidated Statements of Income and Retained Earnings

	1969	1968
Consolidated Net Income for the Year	3,668,559	4,190,115
Less — Dividends Declared and Paid ($.70 per share 1969, $.60 per share 1968)	1,374,377	1,208,470
— Charge attributable to Stock Purchased for Treasury	1,158,790	356,178
Net Increase in Retained Earnings for the Year	1,135,392	2,625,467
Retained Earnings—At Beginning of Year	13,995,472	11,370,005
Retained Earnings—At End of Year	$15,130,864	$13,995,472

Notes to Financial Statements

Stockholders' Equity: 5,000,000 shares of common stock are authorized, 2,145,688 issued (assigned value $1.25 per share); 200,905 in treasury. Option Plan shares not fully paid amount to 114,670. During the year 58,329 shares of stock were purchased for the treasury at a cost of $1,303,626 of which $72,911 was charged to Common Stock, $71,925 to Additional Paid-In Capital and $1,158,790 to Retained Earnings.

JIM WALTER CORPORATION
Consolidated Statement of Income and Retained Earnings

	1969	1968
Net Income	$ 28,982,481	$ 21,831,518
Retained earnings at beginning of year (Note 1)	134,990,670	123,714,987
Retained earnings of Celotex Limited	883,933	—
Cash dividends:		
Preferred stocks	(2,657,995)	(1,857,545)
Common stock, $.38-1/3 and $.33-1/3 per share	(3,872,153)	(2,791,545)
Net income of pooled companies for periods duplicated herein	(2,424,846)	(411,312)
Treasury stock retired by pooled company prior to acquisition	(1,315,414)	(1,472,194)
Dividends paid by pooled companies prior to acquisition	(2,874,847)	(4,023,239)
Retained earnings at end of year (Note 1)	$151,711,829	$134,990,670

Notes to Financial Statements

Note 1: (in part) *Principles of Consolidation*—Celotex Limited a previously unconsolidated subsidiary, was consolidated the first time in 1969; accordingly retained earnings at September 1, 1968 have been increased by $883,933. The year ended August 31, 1968 has not been restated since the amounts are not significant.

* * *

The acquisition for cash of 23.68% of U. S. Pipe has been ac-

counted for as a purchase. All of of the other acquisitions have been accounted for as "poolings of interests", and the accompanying financial statements present the financial position and results of operations of such acquisitions as though the interests had been combined throughout each period; accordingly retained earnings at August 31, 1968 have been increased by $72,287,583 from that previously reported. The consolidated balance sheet at August 31, 1968 and the consolidated statement of income for the fiscal year then ended includes the accounts of the pooled companies largely as at the date of such companies' respective fiscal year ends. In the consolidated statement of income for the year ended August 31, 1969 the accounts of all companies have been restated to a common fiscal year together with certain insignificant adjustments to conform accounting practices; accordingly net income duplicated has been eliminated as an adjustment to consolidated retained earnings.

EATON YALE & TOWNE INC.

Statement of Consolidated Shareholders' Equity

Years ended December 31, 1969, and December 31, 1968

(In Dollars)

	Cumulative Convertible Preferred Shares	Serial Preferred Shares	Common Shares	Capital In Excess of Par Value	Retained Earnings
Balance at January 1, 1968 as previously reported	12,080,650	387,100	8,066,341	64,821,072	250,300,984
Acquisition of company accounted for as pooling of interests—Note A			254,608	6,110,582	10,299,172
Balance at January 1, 1968 as restated	12,080,650	387,100	8,320,949	70,931,654	260,600,156
Common Shares issued:					
182,669 shares from conversion of Preferred shares	(4,566,725)		91,335	4,475,390	
88,971 shares from exercise of stock options			44,485	1,428,639	
Purchase of 53,500 Common Shares for treasury			(26,750)	(253,786)	(1,377,978)
Net income for the year					50,313,615
Cash dividends paid:					
Common Shares—$1.33 a share					(21,136,265)
Cumulative Convertible Preferred Shares—$1.19 a share					(446,602)
Pooled companies prior to acquisition					(1,813,307)
Balance at December 31, 1968	7,513,925	387,100	8,430,019	76,581,897	286,139,619
Common Shares issued:					
72,904 shares from conversion of Preferred Shares	(1,822,600)		36,452	1,786,148	
95,584 shares from exercise of stock options			47,792	1,811,131	
Transactions of pooled companies prior to acquisition			30,609	2,183,413	(1,269,902)
Purchase of 118,600 Common Shares for treasury			(59,300)	(521,788)	(3,569,981)
Company acquired in a pooling of interests			12,381	(2,381)	135,323
Net income for the year					60,887,080
Cash dividends paid:					
Common Shares—$1.40 a share					(23,152,661)
Cumulative Convertible Preferred Shares—$1.19 a share					(309,154)
Serial Preferred Shares—$2.30 a share					(1,780,661)
Pooled company prior to acquisition					(280,074)
Balance at December 31, 1969	5,691,325	387,100	8,497,953	81,838,420	316,799,589

Note A—Consolidation Policy—The consolidated statements include the accounts of the Company and all subsidiaries except finance subsidiaries, which are carried at equity.

The acquisition of McQuay-Norris Manufacturing Co. for 570,433 Common Shares during the year has been accounted for as a pooling of interests and accordingly the consolidated financial statements for 1969 and 1968, as restated, include the accounts of the acquired company. Another company acquired for 24,762 Common Shares during the year, and accounted for as a pooling of interests, has been included in the 1969 statements for the entire year; however, the 1968 financial statements have not been restated as the effect would not be significant.

Financial statements of divisions and subsidiaries outside of the United States have been translated at the appropriate rates of exchange into United States dollars, and the resulting gains or losses (which are not material in amount) are included in the statement of consolidated income. Net current assets and net assets of such divisions and subsidiaries amounted to approximately $52,000,000 and $102,000,000, respectively, at December 31, 1969, and their net sales and net income for 1969 were approximately $250,000,000 and $13,000,000, respectively.

Other Transactions

THE AMERICAN DISTILLING COMPANY

Statement of Earnings and Retained Earnings

	1969	1968
Net Earnings	$ 2,953,285	$ 2,913,011
Retained Earnings:		
Balance at beginning of year as previously reported	18,768,414	17,201,334
Items of 1967 and prior years—Note 6	—	154,085
Balance at beginning of year as restated	18,768,414	17,355,419
Add: Transfer of reserve for contingencies—Note 5	114,730	—
	18,883,144	17,355,419
	21,836,429	20,268,430
Deduct:		
Cash dividends declared	1,546,846	1,500,016
Amount capitalized in stock distribution—Note 5	428,081	—
Cash in lieu of fractional shares—Note 5	21,363	—
	1,996,290	1,500,016
Balance at end of year—Notes 4 and 5	$19,840,139	$18,768,414

Note 4:Subordinated Convertible Debentures—On November 1, 1961 the Company issued $9,551,900 of 4⅜% subordinated debentures maturing November 1, 1986 and convertible into common stock until November 1, 1971. The present conversion price is $28.79 per share of common stock. During the year ended September 30, 1969, debentures having a par value of $184,500 were converted into 6,355 shares of common stock. Capital surplus increased $160,919 as a result of the conversions. At September 30, 1969 there were 325,188 shares of common stock reserved for conversion of outstanding debentures. The indenture and the Company's bank loan and credit agreement provide that the Company may pay cash dividends or purchase its own capital stock only out of unrestricted retained earnings as defined therein. Application of the most restrictive of these provisions at September 30, 1969 was as follows:

Retained earnings:	
Restricted	$ 8,382,517
Unrestricted	11,457,622
Total	$19,840,139

Note 5: Stockholders' Equity—(a) During the year the Company issued 524,679 shares of its $10.00 par value common stock as a distribution of one share for each two shares theretofore outstanding. Cash of $21,363 was paid in lieu of fractional shares. In connection with this distribution the Board of Directors ordered $4,818,709 charged to capital surplus and $428,081 and $21,363 charged to retained earnings.

(b) Also during the year the Board of Directors and the stockholders approved a reduction in the par value of common stock from $10.00 to $1.00 per share; an increase in authorized common stock from 2,000,000 to 4,000,000 shares; the retirement of 85,845 common shares held in the treasury; and, the authorization of 250,000 shares of $1.00 par value preferred shares, issuable in series with rights and restrictions determinable by the Board of Directors. The reduction in par value of the common stock and the retirement of the treasury stock were credited and charged, respectively, to capital surplus.

(c) The stockholders also approved a stock option plan for key employees of the Company, under which 75,000 shares of its common stock were reserved for issuance pursuant to any options granted. The plan provides that the option price shall be not less than the fair market value of the stock at date of grant and that options shall expire not later than five years thereafter. At September 30, 1969 options for 38,000 shares had been granted, all at $28.00 per share, but no option had been exercised.

(d) The Board of Directors authorized the return of the reserve for contingencies to retained earnings, out of which it had been taken in prior years.

(e) Changes in capital surplus during the year were as follows:

Balance at beginning of year		$ 4,815,642
Add: From conversions of debentures	$ 160,919	
Reduction in par value of common stock	14,194,233	14,355,152
Deduct: Portion of stock distribution	4,818,709	
Retirement of treasury stock	1,802,503	(6,621,212)
Balance at end of year		$12,549,582

Note 6: Extraordinary Items—During 1969 the Company sold its real property in Sausalito, California, realizing a gain of $484,399, after deduction of $137,883 applicable federal income taxes. During 1968 the Internal Revenue Service issued a ruling under which certain property used in distilling businesses was declared to be includible in the basis of the investment tax credit. In consideration of such determination the Company filed claims for refund of federal income taxes for 1967 and prior years aggregating $154,085, which amount was reported in 1968 income as an extraordinary item and is now restated as an addition to retained earnings at the beginning of 1968.

UNITED STATES SMELTING REFINING AND MINING COMPANY

Consolidated Statements of Income and Retained Earnings Unappropriated

	1969	1968
Net income	$21,705,707	$ 8,384,935
Retained earnings unappropriated, beginning of year	28,331,480	29,077,194
	50,037,187	37,462,129
Deduct:		
Cash dividends declared:		
Preferred Stock, $5.50 per share	981,496	982,886
Common Stock, $1.00 per share	2,333,308	2,356,058
	3,314,804	3,338,944
Fair market value of warrants distributed to common stockholders (Note 10)	17,670,435	
Market value of Common Stock issued as stock dividend		5,822,827
Excess of liquidating value over proceeds on Preferred Stock issued pursuant to former Mueller Brass Co. option plan	2,409	1,720
Amount appropriated to (restored from) reserve for metal price fluctuations (Note 1)	1,505,511	(32,842)
	22,493,159	9,130,649
Retained earnings unappropriated, end of year	$27,544,028	$28,331,480

Notes to Financial Statements

Note 1: Inventories comprise:

	1969	1968
Ores, metals in process and on hand	$17,088,526	$18,922,964
Fabricated finished products, in process and raw materials, at lower of cost (principally last-in, first-out method) or market	22,265,070	19,048,846
Supplies, at cost	4,320,687	3,932,838
	$43,674,283	$41,904,648

Company mined ores, metals in process and on hand, principally from production at the U. S. and Lark Mine, are carried at the

average market prices of the respective metals at the time of the production at the mine or at market price at the end of the period, whichever is lower, less the estimated cost of further reduction processes. From this segment of the operations, the gross value of production rather than gross sales has been used in the determination of operating profit. Under this method of valuation, such metal inventories include an indeterminable amount of unrealized profit. Gains or losses resulting from the sale of such metals at prices different from the average price of the respective metals in inventory, including losses arising from any reduction to market at the end of the period, are shown separately in the consolidated statements of income. An amount equivalent to accumulated net gains from metal price fluctuations has been appropriated from retained earnings as a reserve against possible future declines in metal prices.

Ores and concentrates from the Continental Mine and Mill at Fierro, New Mexico, and purchased ores are stated at the lower of cost or market.

Note 10: In January, 1969, the Company declared a distribution to common stockholders of one ten-year warrant to purchase a share of Common Stock at $66.00 per share for every two shares of Company Stock held. A total of 1,178,029 warrants was issued on February 4, 1969 and a similar number of shares of Common Stock has been reserved for issue upon exercise of the warrants.

CORNING GLASS WORKS

Consolidated Statement of Income and Retained Earnings

	1969	1968
Net Income (per share: $7.26 — 1969; $6.79 — 1968)	$ 50,029,547	$ 46,766,679
Retained Earnings at beginning of year	252,623,711	228,267,169
Equity in undistributed earnings of foreign associated companies not previously consolidated (Note 1)	4,081,729	
Cash dividends:		
On preferred stock — $3.50 per share	(38,186)	(50,354)
On common stock — $3.25 per share	(22,392,748)	(22,359,783)
Retained Earnings at end of year	$284,304,053	$252,623,711

Note 1 (in part): *Principles of Consolidation*—The consolidated financial statements include all significant controlled subsidiaries in which the company owns a majority of the common shares outstanding. During the year a controlling interest was acquired in two foreign associated companies. The financial statements include the results of operations of these companies for the last quarter of the year. Differences between investment cost and the net assets acquired (Goodwill) of these and other consolidated subsidiary companies are being amortized over twenty years or less from their respective dates of acquisition. The accounts of foreign subsidiaries included in the consolidated statements are expressed in U. S. dollars at year-end rates of exchange, except for fixed assets and related depreciation which are stated at rates on dates of acquisition of the assets, and for income and expenses (other than depreciation) which are expressed at rates prevailing during the year.

CAPITAL ACCOUNTS

In its *Opinion No. 12—Omnibus Opinion—1967* (effective for fiscal periods beginning after December 31, 1967) the Accounting Principles Board of the American Institute of Certified Public Accountants included the following paragraphs concerning changes in the capital accounts:

9. Paragraph 7 of *APB Opinion No. 9, Reporting the Results of Operations,* states that 'The statement of income and the statement of retained earnings (separately or combined) are designed to reflect, in a broad sense, the 'results of operations'." Paragraph 28 of APB *Opinion No. 9* states that certain capital transactions ". . . should be excluded from the determination of net income or the results of operations under all circumstances." Companies generally have reported the current year's changes in stockholders' equity accounts other than retained earnings in separate statements or notes to the financial statements when presenting both financial position and results of operations for one or more years. A question has arisen as to whether, because of the language of APB *Opinion No. 9,* changes in stockholders' equity accounts other than retained earnings are required to be reported.

10. When both financial position and results of operations are presented, disclosure of changes in the separate accounts comprising stockholders' equity (in addition to retained earnings) and of the changes in the number of shares of equity securities during at least the most recent annual fiscal period and any subsequent interim period presented is required to make the financial statements sufficiently informative. Disclosure of such changes may take the form of separate statements or may be made in the basic financial statements or notes thereto.

Table 4-8 summarizes the manner in which the 513 survey companies presenting an account for additional capital disclosed changes in additional capital. Twelve of these companies failed to disclose all changes in

TABLE 4-8: DISCLOSURE OF CHANGES IN ADDITIONAL CAPITAL

Manner of Presentation*	1969	1968
A: Statement of stockholders' equity	89	55
B: Statement of capital stock and/or additional capital	148	153
C: Schedule in notes or elsewhere	93	40
No schedule, but notes or other presentations:		
D: Account for all changes	124	173
Major changes only	12	26
E: Balance unchanged during year	47	54
Number of Companies		
Presenting additional capital account	513	501
Not presenting additional capital account	87	99
Total	600	600

* Refer to Company Appendix Section—A: 18, 42, 76; B: 21, 177, 285; C: 10, 185, 273; D: 4, 122, 504; E: 40, 50, 170.

additional capital. Of the 87 companies not presenting an account for additional capital, 32 showed capital stock at par or stated value and 55 at aggregate value.

Example of Company Indicating No Change in Additional Capital

COLONIAL SAND & STONE CO., INC.
Consolidated Balance Sheet

Shareholders' Equity	1969	1968
Common Stock, $1 par—shares authorized 6,000,000; issued 2,777,138; 150,000 shares reserved for options	$ 2,777,138	$ 2,777,138
Additional Paid-in Capital (no change during year)	11,240,930	11,240,930
Retained Earnings	23,054,355	21,111,741
	37,072,423	35,129,809
Treasury Stock, at cost, 18,090 shares	158,830	158,830
Total Shareholders' Equity	$36,913,593	$34,970,979

CREDITS TO CAPITAL ACCOUNTS

Table 4-9 summarizes credits to capital accounts. The most common item presented is for sales to employees, principally in connection with employee option plans. In the great majority of instances, the stock was newly issued, and proceeds were credited to capital stock alone or to capital stock and additional capital. Where treasury stock was issued, the difference between cost and proceeds was generally applied to additional capital or, in the absence thereof, to capital stock. In some instances the difference was applied to retained earnings.

Examples follow of credits to capital accounts.

TABLE 4-9: CREDITS TO CAPITAL ACCOUNTS

Nature of Credit	1969
Sales of stock and warrants:	
Employees	458
Other	53
Acquisitions:	
Poolings of interests	191
Purchases	82
Conversions:	
Preferred stock	125
Debt	107
Purchase or redemption of preferred stock	30
Other	30
Unidentified	67
Total presentations	1143

Sales of Stock

MORSE ELECTRO PRODUCTS CORP.
Statements of Paid-In Capital

	March 31, 1969	and 1968
Balance at beginning	$ 846,547	$823,547
Add: Excess over par value of:		
4,000 shares issued for services		23,000
15,312 shares issued upon exercise of options	55,856	
1,000 shares sold	30,750	
5,000 shares issued for assets	163,750	
100,000 shares sold, less expense of underwriting (1)	4,106,500	
Balance at end	$5,203,403	$846,547

Notes to Financial Statements

Note 1: The public offering of 100,000 common shares in April, 1969 has been reflected retrospectively in the financial statements. Cash was debited for the net proceeds, $4,131,500, common stock was credited for the par value of the shares issued, $25,000 and paid-in capital was credited for the excess over par value, $4,106,500. Also reflected is the use of net proceeds to pay $1,950,000 in bank loans and $713,476 in sight drafts, an aggregate to cash of $2,663,476.

MOTOROLA, INC.
Consolidated Balance Sheet

Shareholders' Equity	1969	1968
Capital stock, $3.00 par value Authorized: 10,000,000 shares Outstanding: 1969, 6,651,953 shares; 1968, 6,148,371 shares	$ 19,955,859	$ 18,445,113
Additional paid-in capital	86,336,418	28,002,604
Retained earnings	219,842,193	192,330,354
Total Shareholders' Equity	$326,134,470	$238,778,071

Consolidated Additional Paid-in Capital

	1969	1968
Balance at beginning of year	$28,002,604	$17,712,959
Excess of proceeds over the par value of shares issued under share option plans	2,048,679	1,185,765
Excess of net proceeds over the par value of 474,952 shares issued under rights offering	56,285,135	—
Excess of market value over the par value of shares issued in acquisition of a subsidiary's stock	—	553,880
Proceeds from sale of convertible debentures attributable to conversion feature	—	8,550,000
Balance at end of year	$86,336,418	$28,002,604

Notes to Financial Statements

Note 5 (in part): During 1969 options to purchase 94,950 shares were granted, options on 7,250 shares were terminated, and options

on 28,630 shares were exercised. The excess ($2,048,679) of the option price over the par value of shares issued was credited to additional paid-in capital. At year end 282,045 shares were under option at an aggregate price of $30,794,092, of which 187,995 shares were currently exerciseable in the amount of $20,142,929.

SOLA BASIC INDUSTRIES, INC.
Statement of Consolidated Additional Paid-In-Capital

Years ended March 31,	1969	1968
Balance, beginning of year, as previously reported	$ 7,341,766	$4,485,055
Adjustment for poolings of interests	1,446,000	2,080,695
Balance, beginning of year, as restated	8,787,766	6,565,750
Excess of principal amount of convertible subordinated debentures over par value of common stock issued therefor	1,546,504	741,335
Excess of market value over par value of common stock issued as stock dividend	—	1,203,998
Excess of proceeds over par value of common stock issued upon exercise of		
Stock options	167,167	377,254
Warrants	2,831,814	—
Capital stock transactions by pooled companies	(82,064)	(100,571)
Balance, end of year	$13,251,187	$8,787,766

Notes to Consolidated Financial Statements

Stockholders' Investment (in part)—

	Shares	
Preferred stock:	Authorized	Issued
4½%, Series A, $25 par value	37,050	37,050
No par value	3,000,000	none
Common stock, $1 par value	7,000,000	3,166,723

At March 31, 1969, common shares were reserved for issuance as follows:

Stock options:	
Outstanding	139,292
Available for future grants	109,220
Conversions of convertible subordinated debentures	341,542
	590,054

Changes in issued common stock, $1 par value, during the year were:

Shares issued, April 1, 1968, including shares issued in poolings of interests	2,911,290
Exercise of:	
Stock options	15,435
Warrants	166,944
Conversions of debentures	73,054
Shares issued, March 31, 1969	3,166,723

Purchase Acquisition

AMERICAN METAL CLIMAX, INC.
Notes to Financial Statements

Note 10: Shareholders' Equity—On July 31, 1969 the shareholders approved an increase in authorized common shares, $1 par value, from 20,000,000 to 35,000,000 and a change in the Company's authorized preferred shares from 1,000,000 shares, $100 par value, to 5,000,000 shares, $1 par value. They also approved a 3-for-2 common stock split.

AMAX's board of directors authorized the transfer from the common stock account to capital surplus account of the amount in excess of the par value of the common shares issued on or before September 30, 1969.

The 4¼% Cumulative Convertible Preferred stock was redeemed September 1, 1969. Under the terms of the merger of Ayrshire Corporation into AMAX on October 31, 1969, an aggregate of 790,891 shares of Series A Convertible Preferred stock, par value $1 per share, was issued to Ayrshire's shareholders in lieu of their holdings in Ayrshire at the rate of one new preferred share of AMAX for one common share of Ayrshire. Each share of the Series A Convertible Preferred stock is entitled to one vote on all matters submitted to the shareholders, is convertible into 2.43351 shares of AMAX common stock and is entitled to a preferred cumulative annual dividend of $4.00 from November 1, 1969 until November 30, 1971 and $5.25 thereafter. The shares are not redeemable for seven years, but will be redeemable at $105 commencing September 1, 1976; the redemption price will then be reduced by $1.25 bi-annually until September 1, 1984, at which date it will become and remain at $100. Upon voluntary liquidation holders of Series A Convertible Preferred stock would be entitled to receive a liquidation preference of $105 per share for the first seven years and thereafter an amount equal to the then current redemption price; upon involuntary liquidation such holders would be entitled to receive $100 per share.

Capital surplus was credited with the excess of the estimated market value over the par value of the 790,891 Series A Convertible Preferred shares described above.

Analyses of changes in the capital stock and the capital surplus accounts follow:

PREFERRED STOCK

	Number of Shares	Amount
Balance at January 1, 1968	140,259	$14,025,900
Conversion of 4¼% Preferred stock in 1968	(37,610)	(3,761,000)
Balance at December 31, 1968	102,649	10,264,900
Conversion and redemption of 4¼% Preferred stock in 1969	(102,649)	(10,264,900)
Issuance of Series A Preferred stock, par value $1 per share, to Ayrshire's shareholders	790,891	790,891
Balance at December 31, 1969	790,891	$ 790,891

COMMON STOCK

	Number of Shares	Amount	Capital Surplus
Balance at January 1, 1968	15,372,557	$107,396,367	$ 8,460,950
Conversion of 4¼% Preferred stock in 1968	94,008	3,760,320	(125)
Stock options exercised in 1968	38,829	38,829	1,333,004
Balance at December 31, 1968	15,505,394	111,195,516	9,793,829
Conversion and redemption of 4¼% Preferred stock in 1969	261,199	10,015,480	(10,602)
3-for-2 common stock split	7,873,007	7,873,007	(7,873,007)
Write-down of common stock to $1 par value		(105,444,403)	105,444,403
Issuance of Series A Preferred stock, par value $1 per share, to Ayrshire's shareholders			59,712,271
Stock options exercised in 1969	29,733	29,733	1,033,928
Balance at December 31, 1969	23,669,333	$ 23,669,333	$168,100,822

Common stock balances at January 1, 1968 and December 31, 1968 and 1969 include treasury shares of 22,200, 15,100 and 17,205 respectively.

Conversions

FOREMOST-McKESSON, INC.
Statement of Consolidated Other Capital
For the Years Ended March 31, 1969 and 1968

Other Capital	1969	1968
Balance at beginning of year	$ 891,000	$32,480,000
Merger deduction — Foremost & McKesson		(53,656,000)
Excess of proceeds over par value of capital stock issued in connection with		
Public offering at merger date		20,930,000
Debenture conversions	1,185,000	375,000
Preferred stock conversions	668,000	54,000
Employee plans	385,000	460,000
Acquisitions	27,000	165,000
Excess of par value over cost of prior preferred stock purchased	178,000	83,000
Balance at end of year	$ 3,334,000	$ 891,000

Notes to the Financial Statements

Stockholder Equity (in part):

Changes in capital stock (in shares) were as follows:

	Common	Series A Preferred	Prior Preferred
Shares outstanding, March 31, 1968	10,798,123	2,309,488	101,535
Converted debentures	74,083		
Converted Series A preferred stock	34,214	(21,065)	
Sold under employee plans	57,400	26,067	
Issued for acquisitions	105,992		
Reacquired	(36,400)		(13,522)
Shares outstanding, March 31, 1969	11,033,412	2,314,490	88,013

FAS INTERNATIONAL, INC.
Consolidated Statement of Paid-In Capital
Years ended September 30, 1969 and 1968

	1969	1968
Balance at beginning of year	$13,538,801	$11,783,847
Excess of proceeds over par value of stock upon—		
Exercise of stock options	153,537	192,190
Conversion of 5¾% Guaranteed Bonds—		
Net of related expenses (Note 4)	3,622,007	
Excess of market value over par value of common stock issued for—		
Payment of stock dividends	4,530,350	1,679,518
Services rendered	4,754	
Acquisition of company	129,098	
Par value of common stock issued in connection with 100% stock distribution		(32,810)
Expenditures related to poolings of interests transactions		(83,944)
Balance at end of year	$21,978,547	$13,538,801

Note 4 (in part): *Long-term Debt*—(b) Famous Schools Overseas Corp., a wholly-owned subsidiary, issued in 1967 outside the United States, $10,000,000 of 5¾% bonds due in 1982. These bonds are guaranteed by the Company and are presently convertible into the Company's common stock at a conversion price of $28.55 per share (after giving effect to anti-dilution provisions in the bonds). During the year $3,784,000 face value of these bonds were converted into 130,403 shares of common stock.

WINN-DIXIE STORES, INC.
Statement of Consolidated Stockholders' Equity
For the Year ended June 28, 1969
with comparative figures for the
year ended June 29, 1968

Capital Stock	1969	1968
Common stock, $1 par value per share:		
Beginning of year	$ 12,856,174	$ 12,856,174
Add—Par value of shares sold under Executive Incentive Stock Option Plan from unissued stock	4,800	—
Par value of shares of Class B common stock exchanged for common stock	3,581	—
	12,864,555	12,856,174
Deduct — Par value of shares exchanged for Class B common stock	4,523,075	—
End of Year	8,341,480	12,856,174
Class B common stock (accumulating convertible):		
Beginning of year	—	—
Par value of shares issued in exchange for shares of common stock	4,523,075	—
Deduct—Par value of shares converted into common stock	3,581	—
End of year	4,519,494	—
Capital in Excess of Par Value of Capital Stock		
Beginning of year	4,952,602	5,317,913
Add — Excess of net proceeds over par value of 4,800 shares of previously unissued common stock sold under Executive Incentive Stock Option plan	103,440	—
	5,056,042	5,317,913
Deduct — Excess of cost of 53,198 shares of reacquired common stock over net proceeds of sales under stock purchase plan for employees and under executive stock bonus plan (49,536 shares in 1968)	160,511	365,311
Expenditures relating to the issue of Class B common stock	59,120	—
End of year	4,836,411	4,952,602

Retained Earnings:		
Beginning of year	111,098,476	105,477,895
Net earnings	26,505,881	24,462,660
	137,604,357	129,940,555
Cash dividends on common stock, $1.56 per share ($1.50 per share in 1968)	16,070,125	18,842,079
End of year	121,534,232	111,098,476
Cost of Common Stock Reacquired:		
Beginning of year 287,267 shares (275,323 shares in 1968)	7,648,459	7,600,026
Add — Cost of 30,296 shares reacquired during year (61,480 shares in 1968)	1,016,210	1,772,429
	8,664,669	9,372,455
Deduct — Cost of 53,198 shares sold under stock purchase plan for employees and executive stock bonus plan (49,536 shares in 1968)	1,766,759	1,723,996
End of year 264,365 shares (287,267 shares in 1968)	6,897,910	7,648,459
Total Stockholders' Equity	$132,333,707	$121,258,793

Notes to Consolidated Financial Statements

Note 4: Capital Stock—On December 12, 1968 the Company's Certificate of Incorporation was amended to increase the total number of shares of stock the Company may have outstanding from 15,000,000 to 30,524,000, of which 24,410,000 shares were designated "Common Stock" and 6,144,000 shares were designated "Class B Common Stock (Accumulating Convertible)". Originally, and pursuant to a voluntary exchange offer, the Company issued 4,523,075 shares of such Class B Stock in exchange for a like number of shares of Common Stock. Such shares of Common Stock were retired, thereby decreasing the total number of shares of Common Stock which the Company may have outstanding from 24,410,000 to 19,886,925, and the total number of shares of stock of both classes which the Company may have outstanding from 30,524,000 to 26,000,925. As a result of such exchange the sum of $4,523,075, being an amount equal to the par value of the shares of Common Stock exchanged, was transferred from the Common Stock account and credited to the Class B Common Stock account.

The Class B Stock can be converted into Common Stock on a share-for-share basis through December 31, 1969 and thereafter at conversion ratios which increase .045 shares each year until January 1, 1982. On and after January 1, 1982 each share of Class B Stock is convertible into 1.54 shares of Common Stock, the maximum conversion ratio. The Class B Stock enjoys the same voting rights as the Common Stock, but receives no cash dividends.

STOKELY-VAN CAMP, INC.

Consolidated Statement of Additional Paid-in Capital

For the years ended May 31, 1969 and 1968

	1969	1968
Balance at beginning of year	$48,899,726	$40,039,076
Excess of principal amount of debentures converted over par value of common shares issued (106,543 shares, 1969; 326,389 shares, 1968)	2,714,951	8,327,801
Excess of amount received over par value of common shares sold under stock option plans (15,875 shares, 1969; 30,536 shares, 1968)	299,156	532,849
Balance at end of year	$51,913,833	$48,899,726

Tax Effect of Loss Carryforwards Arising Prior to a Quasi-Reorganization

GENERAL PLYWOOD CORPORATION

Consolidated Statements of Capital Surplus and Retained Earnings

for the years ended October 31, 1969 and 1968

	1969	1968
Capital Surplus:		
Balance, beginning of year	$2,526,192	$2,490,806
Tax benefit of loss carry-forward (Note 1)	92,000	
Excess of net amount received over par value of shares of Common Stock issued to officers and employees under stock purchase agreements (1,225 shares, 1969; 6,516 shares, 1968)	8,996	35,386
Repayment of portion of Canadian Government Area Development Incentive Grant (Note 2)	(8,699)	
Balance, end of year	$2,618,489	$2,526,192
Retained Earnings (Since October 31, 1965):		
Balance, beginning of year	$ 547,232	$ 490,324
Net income (loss)	(69,769)	56,908
Balance, end of year	$ 477,463	$ 547,232

Note 1 (in part):

The provision for taxes on income consists of the following:

	1969	1968
Charge equivalent to tax benefit from utilization of operating loss carry-forwards:		
United States	$ 92,000	$145,000
Currently payable:		
Foreign	16,000	29,000
State	22,000	19,000
	$130,000	$193,000

Pursuant to an opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants, in 1969 the Corporation changed its method of accounting for the tax benefit of certain loss carry-forwards sustained prior to a restatement of capital in 1965. In the absence of this change, the amount of such tax benefit in 1969, $57,000 ($.04 per share), would have been applied to reduce the Corporation's net loss for the year from $69,769 to $12,769, rather than credited to Capital Surplus. In 1968, the tax benefit from the utilization of such carry-forwards ($145,000) was included in income.

Note 2: During the year ended October 31, 1967, the Canadian Government awarded the consolidated subsidiary an Area Development Grant of $137,507 (equivalent U.S. dollars) in connection with the construction of a plant in Ontario, Canada. The grant was recognized in the accounts as contributed capital, and accordingly was credited to Capital Surplus. During the year ended October 31, 1969, the subsidiary was required to refund $8,699 of the grant and, if certain operating conditions are not met during the period January 24 to July 1, 1970, the remainder of the grant must be refunded. In management's opinion, such operating conditions will be met.

TABLE 4-10 CHARGES TO CAPITAL ACOUNTS

Nature of Charge	1969
Conversion of preferred stock	123
Purchase or retirement of:	
Preferred stock	72
Common stock	34
Poolings of interests	103
Treasury stock issued at less than cost	38
Stock splits (See Table 4-5)	34
Change in par value	11
Capital stock issue expense	11
Other—described	38
Unidentified	38
Total presentations	502

CHARGES TO CAPITAL ACCOUNTS

Table 4-10 summarizes charges to capital accounts by the 600 survey companies. Examples of charges to capital accounts follow.

Conversion of Preferred to Common Stock

MIDLAND-ROSS CORPORATION
Statement of Consolidated Shareholders' Equity
(Excluding Series B Preferred Stock and Retained Earnings Columns)

	Series A Preferred Stock	Common Stock	Additional Paid in Capital
Balance at January 1, 1968	$13,279,000	$27,498,960	$12,971,347
Common Stock issued:			
79,387 shares from conversion of 17,486 shares of Series A Preferred Stock and 350 shares of Series B Preferred Stock	(1,748,600)	396,935	1,383,212
1,714 shares from exercise of stock options		8,570	22,612
Series A Preferred Stock issued—634 shares from exercise of stock options	63,400		(23,126)
Cost of shares purchased:			
Common Stock—35,722 shares for retirement and 2,528 shares for treasury		(191,250)	(144,040)
Balance at December 31, 1968	11,593,800	27,713,215	14,210,027
Common Stock issued:			
129,782 shares from conversion of 28,077 shares of Series A Preferred Stock and 1,460 shares of Series B Preferred Stock	(2,807,700)	648,910	2,302,669
5,400 shares from exercise of stock options		27,000	83,184
Series A Preferred Stock issued—155 shares from exercise of stock options	15,500		(5,333)
Cost of 41,700 shares of Common Stock purchased for treasury		(208,500)	(130,418)
Balance at December 31, 1969	$ 8,801,600	$28,180,625	$16,460,129

Reduction in Par Value

SWIFT & COMPANY
Consolidated Statement of Stockholders' Equity

	53 Weeks Ended Nov. 1, 1969	52 Weeks Ended Oct. 26, 1968
Preferred stockholders' equity		
Class 1 preferred stock (no change during year)—		
Issued—395,838 shares		
Held by subsidiary—30,988 shares		
Outstanding—364,850 shares	$ 36,485,000	$ 36,485,000
Class 2 preferred stock—no shares issued	—	—
Total preferred stockholders' equity at end of year	$ 36,485,000	$ 36,485,000
Common stockholders' equity		
Common stock—		
At beginning of year, as restated (includes 301,635 shares of $1 par value issued in connection with 1969 pooling of interests)	$153,365,000	$153,365,000
Transfer to other paid-in capital in connection with reduction in par value from $12.50 to $1 per share	(140,818,000)	—
At end of year	12,547,000	153,365,000
Other paid-in capital—		
At beginning of year, as restated	1,366,000	1,366,000
Transfer from common stock in connection with reduction in par value from $12.50 to $1 per share	140,818,000	—
At end of year	142,184,000	1,366,000
Accumulated earnings—		
At beginning of year as restated	171,256,000	223,448,000
Net earnings (loss)	21,921,000	(41,175,000)
Dividends:		
Preferred stock (including $19,000 applicable to 1968)	(1,752,000)	
Common Stock—$.60 per share ($.90 in 1968)	(7,316,000)	(11,017,000)
At end of year	184,109,000	171,256,000
Cost of common stock reacquired and held in treasury at end of year	(10,866,000)	—
Total common stockholders' equity at end of year	$327,974,000	$325,987,000
Common shares issued and outstanding at end of year:		
Issued	12,546,677	12,546,677
Held in treasury	(409,139)	—
Outstanding	12,137,538	12,546,677
Equity per common share outstanding at end of year	$27.02	$25.98

Purchase or Retirement of Capital Stock

THE CLEVELAND-CLIFFS IRON COMPANY

Statement of Consolidated Shareholders' Equity
(Excluding Retained Income and Total Columns)

	Preferred Stock	Common Stock	Capital in Excess of Par Value of Shares	Common Stock in Treasury
Balance, January 1, 1968	$26,544,000	$4,166,000	$16,632,000	$ (405,000)
Purchase and retirement of 49,542 Preferred Shares	(4,954,000)		612,000	
Purchase of 60,789 Common Shares				(3,207,000)
Cost of 358 Common Shares distributed under Deferred Compensation Plan				9,000
Balance December 31, 1968	21,590,000	4,166,000	17,244,000	(3,603,000)
Purchase and retirement of 43,648 Preferred Shares	(4,365,000)		951,000	
Purchase of 178,270 Common Shares				(7,407,000)
Cost of 570 Common Shares distributed under Deferred Compensation Plan				14,000
Balance December 31, 1969	$17,225,000	$4,166,000	$18,195,000	$(10,996,000)

Statement of Consolidated Source and Application of Funds

Year Ended December 31	1969	1968
Source of Funds		
Income before extraordinary items	$16,239,000	$14,747,000
Proceeds from sales of listed securities, properties and ownership interests in associated companies, net of applicable federal income taxes	14,144,000	10,778,000
Depreciation and depletion	5,647,000	5,789,000
Deferred federal income taxes—noncurrent	(827,000)	68,000
Other	1,450,000	—
	$36,653,000	$31,382,000
Application of Funds		
Cash dividends	$ 7,352,000	$ 7,683,000
Capital expenditures	5,360,000	5,919,000
Reduction in long-term debt	750,000	750,000
Retirement of Preferred Stock	3,414,000	4,342,000
Purchase of Common Stock for treasury	7,407,000	3,207,000
Other	—	86,000
Increase in working capital	12,370,000	9,395,000
	$36,653,000	$31,382,000

THE MAY DEPARTMENT STORES COMPANY

Additional Paid-In Capital Year ended:	January 31, 1970	February 1, 1969
Balance at Beginning of Year	$37,628,059	$19,630,298
Excess of net proceeds received over par value of treasury common stock sold or distributed to employees under stock option and incentive compensation plans	1,350,305	1,088,605
Excess of cost over par value of common stock acquired for treasury (deduct)	(2,930,838)	(2,559,185)
Excess of par or carrying value ($100 a share) over cost of preferred stock repurchased	—	66,707
Excess of assigned value ($50 a share) of $1.80 Preference Stock converted over the par value of common stock	—	19,401,634
Balance at End of Year	$36,047,526	$37,628,059

STEWART-WARNER CORPORATION

Consolidated Statement of Financial Position

Shareholders' Equity:	1969	1968
Capital Stock		
Common Stock:		
Authorized — 10,000,000 shares of $2.50 par value each		
Issued — 4,316,045 shares	$ 10,790,113	$ 10,790,113
Less: Treasury stock — 243,858 shares (198,258 in 1968)	609,645	495,646
Outstanding — 4,072,187 shares (4,117,787 in 1968)	$ 10,180,468	$ 10,294,467
Capital in Excess of Par Value	33,206,548	35,807,943
Retained Earnings	49,042,726	43,887,309
Total Shareholders' Equity	$ 92,429,742	$ 89,989,719

Notes to the Consolidated Financial Statements:

Note 3: The (decreases) increases in capital in excess of par value were—

	1969	1968
Proceeds in excess of par value received from the sale of 36,335 treasury shares (20,616 in 1968) to officers and key employees under the stock purchase and stock option plans	$ 955,644	$472,733
Cost in excess of par value of 81,935 shares (7,000 in 1968) of common stock purchased	(3,557,039)	(209,892)
Net (decrease) increase	($2,601,395)	$262,841

SPERRY RAND CORPORATION

Consolidated Balance Sheets

As of March 31, 1969 and 1968

	1969	1968
Stockholders' Equity		
Capital Stock:		
Preferred stock, $4.50 cumulative, $25 par value (redeemed July 1, 1968)	—	$ 2,556,675
Series preferred stock, no par value Authorized and unissued — 5,000,000 shares		
Common stock, $.50 par value Authorized — 60,000,000 shares Outstanding: 1969, 34,094,222 shares; 1968, 33,908,835 shares	$ 17,047,111	16,954,418
Capital Surplus	212,493,187	213,259,520
Retained earnings	422,297,396	363,504,708
Cost of 4,790 shares of preferred stock in treasury	—	(368,399)
Total Stockholders' Equity	651,837,694	595,906,922

Consolidated Statements of Capital Surplus

Years Ended March 31, 1969 and 1968

	1969	1968
Balance, Beginning of Year	$213,259,520	$146,653,318
Excess of proceeds received over par value of common stock issued upon the exercise of:		
Stock options granted under incentive stock option plans for key employees	3,132,056	7,406,735
Warrants issued with 5½% Debentures in 1957	—	59,180,788
Portion of excess of redemption price over par value of preferred stock redeemed	(3,898,389)	—
Other	—	18,679
Balance, End of Year	$212,493,187	$213,259,520

PRESENTATION AND OPINION

The constantly increasing sophistication of the business world has given impetus to including in annual reports a statement of source and application of funds. Table 5-1 clearly demonstrates the trend to disclosure of this information. Of the 600 companies surveyed in 1955, one hundred twenty-four (21%) presented a funds statement. Ten years later in 1965 over 76% of the surveyed annual reports included the statement. In 1969, 548 companies submitted annual reports containing a funds statement, of which 462 were comparative; 426 and 392 funds statement were comparative in 1968 and 1967, respectively. Of 62 companies which did not present a funds statement in their 1967 annual report and which were included in both the 1968 and 1969 surveys, 24 presented a funds statement in their 1968 annual report, and another 17 presented the statement in their 1969 annual report.

The Accounting Principles Board of the American Institute of Certified Public Accountants in its *Opinion No. 3, The Statement of Source and Application of Funds,* published in October 1963, noted the following:

> 1. Increased attention has been given in recent years in the United States to what has generally come to be known as "Flow of Funds Analysis." For several years the Board of Governors of the Federal Reserve System has published quarterly and annual statistics in the *Federal Reserve Bulletin* showing the flow of funds in the economy. The Flow-of-Funds National Accounts of the Federal Reserve Board have joined the National Income Accounts of the Department of Commerce as important tools of national fiscal and monetary policy. Management, analysts, and investors have also become increasingly aware of the value of this aspect of financial reporting for the individual corporation.
>
> 4. Information about the sources from which a company obtains funds and the uses to which such funds are put may be useful for a variety of purposes affecting both operating and investment decisions. Some of this information is evident from the financial statements. The statement of source and application of funds is helpful because it presents other information which ordinarily cannot be obtained from the financial statements and because it presents articulated information about the flow of funds. A statement of source and application of funds cannot supplant the income statement, but it can provide a useful and significant summary of certain transactions which, taken by themselves, have meaning, namely those affecting the flow of funds.

Opinion No. 3 also states:

> 8. The Board believes that a statement of source and application of funds should be presented as supplementary information in financial reports. The inclusion of such information is not mandatory, and it is optional as to whether it should be covered in the report of the independent accountant.

Table 5-1 reveals a trend to covering the funds statement in auditors' reports. Nearly 87% of the funds statements presented in the 1969 annual reports of the survey companies were covered by an auditors' report as compared to approximately 60% in 1965.

TABLE 5-1: AUDITORS' REPORT AND FUNDS STATEMENT

Presentation	1969	1968	1967	1965
Funds statement referred to in auditors' report	476	443	413	273
Funds statement not referred to in auditors' report	72	92	111	185
No funds statement presented	52	65	76	142
Total	600	600	600	600

TABLE 5-2: POSITION OF FUNDS STATEMENT IN ANNUAL REPORT AND WHETHER COVERED IN AUDITORS' REPORT

Position and Auditors' Report*	Number of Companies 1969	1968
Funds statements covered in auditors' report:		
Funds statement included with financial statements and is:		
A: Final statement	366	337
B: Between income statement and balance sheet	33	40
C: First statement	27	24
D: Other	29	18
E: Funds statement separated from financial statements	21	24
Subtotal	476	443
Auditors' report does not refer to funds statement:		
F: Funds statement included with financial statements	25	41
G: Funds statement separated from financial statements	47	51
Subtotal	72	92
Total funds statements presented in annual reports	548	535
Companies not presenting funds statement	52	65
Total	600	600

* Refer to Company Appendix Section—A: 13, 103, 345, 446, 647, 704; B: 47, 130, 246, 622; C: 107, 285, 355, 676; D: 78, 147, 383; E: 171, 375, 479, 505; F: 62, 216, 652, 683; G: 11, 102, 293, 521, 660.

Table 5-2 indicates that of the companies presenting the funds statement in the 1969 survey, nearly 88% (480) included the statement along with the other financial statements—this figure might be compared with 86% (460) in 1968. When so included, over 94% (91% in 1968) of the auditors' reports referred to the funds statement. The funds statement was the final statement in over 80% of those reports which included it with the other financial statements in both 1968 and 1969. When the funds statement was shown elsewhere in the report, nearly 31% (32% in 1968) of the auditors' reports referred to the statement.

TITLE

The titles of funds statements and the concepts underlying them vary considerably. *Opinion No. 3,* to which reference was made previously, includes the following observations:

2. Accountants have long prepared statements of source and application of funds for management, which are in fact reports on the flow of funds in individual companies. These statements have often been presented in annual reports. The concept of "funds" used in these statements has varied somewhat in practice, and variations in the concept have resulted in variations in the nature of the statements. For example, "funds" has sometimes been interpreted to mean cash or its equivalent; in such cases the resulting statement of source and application of funds is a statement of cash receipts and disbursements. The most common concept of "funds" has, however, been that of working capital, i.e., current assets less current liabilities. If the definition is applied literally, the resulting statement includes only those transactions which affect the current assets or the current liabilities. A broader interpretation identifies "funds" as all financial resources arising from transactions with parties external to the business enterprise.

Here, no attempt has been made to distinguish between Source and Application of Funds Statements and Working Capital Statements since the phrases are often used synonymously, and because of the similarity of information.

Table 5-3 summarizes the funds statement titles used by the survey companies. The largest category, 242 companies in 1969, utilizes what is probably the

TABLE 5-3: TITLE OF "FUNDS" STATEMENT

Terminology*	Number of Companies Using Title 1969	1968	1967
Title involves use of word "funds":			
A: Source and application of funds	242	223	217
B: Source and use of funds	83	85	81
C: Source and disposition of funds	41	49	47
D: Funds statement or statement of funds	28	21	24
E: Miscellaneous other uses of "funds"	8	12	16
Title involves use of term "working capital":			
F: Changes in working capital or working capital changes	60	65	59
G: Source and use of working capital	19	18	13
H: Source and disposition of working capital	17	17	19
I: Source and application of working capital	16	15	16
J: Miscellaneous other uses of "working capital"	18	12	18
K: Miscellaneous other titles	16	18	14
Total companies presenting funds statement	548	535	524

* Refer to Company Appendix Section—A: 22, 165, 252, 335, 578, 680; B: 27, 151, 274, 349, 706; C: 191, 263, 386, 538; D: 75, 130, 264, 364; E: 122, 318, 429; F: 58, 110, 285, 373, 603; G: 99, 195, 457; H: 134, 276, 311; I: 36, 674, 708; J: 71, 414, 701; K: 268, 415, 481, 506.

most widely used textbook title, *Source and Application of Funds.* Such a title was used by 44% of the companies presenting funds statements, increasing from 41% in 1967. The variations are principally in the form of synonyms substituted for one or more of the significant terms—e.g., *application* may become *use, disposition,* or *distribution; funds* may be replaced by *working capital, working funds, net working capital, net current assets, resources,* or *financial resources; provision* may be used instead of *source;* etc. Four hundred and eighteen companies (over 76%) used a title of the form "Source and Application/Use/Disposition of Funds/Working Capital" in 1969, against 407 (76%) in 1968, and 393 (75%) in 1967. The Accounting Principles Board expressed its opinion on this point in *Opinion No. 3* as follows:

> 11. The title of a statement of this type should be as descriptive as possible and need not be the same in all cases. "Statement of Resources Provided and Applied" and "Statement of Source and Application of Funds" are examples of appropriate titles. . . .

FORM

The format of funds statements may be divided into two types depending upon the purpose of the statement. One type analyzes operations and the noncurrent accounts in order to present the reasons for the change in working capital. The other type analyzes all accounts in order to determine and display the reasons for the change in cash and cash equivalent. Changes in working capital or cash and cash equivalent are usually shown in a funds statement in one of three forms—as a balancing figure added to either sources or applications, as the statement's final figure, or as an addition to a beginning balance to obtain an ending balance. Table 5-4 is a record of the frequency of the presentation of the three possible forms within each type. In 1969, 510 survey companies accounted for the change in working capital, while 33 analyzed the change in cash or cash equivalent. The respective comparable figures for 1968 were 494 and 39, and for 1967, 482 and 36. Thus, of the companies presenting funds statements in the survey, about 92% in all three years accounted for the change in working capital rather than the change in cash or cash equivalent.

Opinion No. 3, previously referred to, expresses no preference for either type of statement. However, a broad concept of "funds" is stated to be preferable as follows:

> 9. The concept of "funds" underlying the preparation of a statement of source and application of funds should be consistent with the purpose of the statement. In the case of statements prepared for presentation in annual reports, a concept broader than that of working capital should be used which can be characterized or defined as "all financial resources," so that the statement will include the financial aspects of all significant transactions, e.g., "nonfund" transaction such as the acquisition of property through the issue of securities.

Examples of the various funds statement presentations in the 1969 annual reports are shown immediately below and in other subheadings within this section.

TABLE 5-4: FORMS OF "FUNDS" STATEMENT

	Number of Companies Using Form		
Format Used*	1969	1968	1967
Accounting for changes in working capital—concluding with:			
A: Sources equal applications	189	181	173
B: Increase (decrease) in working capital	171	179	177
C: Ending working capital	150	134	132
Accounting for cash or cash and cash equivalent—concluding with:			
D: Sources equal applications	7	13	12
E: Increase (decrease) in cash or cash and cash equivalent	15	12	14
F: Ending cash or cash and cash equivalent	11	14	10
Miscellaneous other forms	5	2	6
Total	548	535	524

* Refer to Company Appendix Section—A: 76, 114, 253, 469, 544, 693; B: 13, 171, 291, 457, 704; C: 35, 269, 332, 366, 538, 701; D: 28; E: 105, 429, 715; F: 43, 207, 552.

Sources of Funds Equals Applications

THE CLEVELAND-CLIFFS IRON COMPANY
Statement of Consolidated Source and Application of Funds

Source of Funds	
Income before extraordinary items	$16,239,000
Proceeds from sales of listed securities, properties, and ownership interests in associated companies, net of applicable federal income taxes	14,144,000
Depreciation and depletion	5,647,000
Deferred federal income taxes—noncurrent	(827,000)
Other	1,450,000
	$36,653,000
Application of Funds	
Cash dividends	$ 7,352,000
Capital expenditures	5,360,000
Reduction in long-term debt	750,000
Retirement of Preferred stock	3,414,000
Purchase of Common stock for treasury	7,407,000
Increase in working capital	12,370,000
	$36,653,000

W. T. GRANT COMPANY
Statement of Source and Disposition of Income

(amounts in 000's)	
Where Funds Came From	
Sales	$1,210,918
Less:	
Merchandise costs, supplies, outside services, etc.	792,294
Salaries, wages, and benefits	257,757
Social security taxes on payrolls	13,895
Rents to landlords less rentals on subleases	48,742
Federal, state and local taxes	49,532
Depreciation and amortization	8,972
Net Income, excluding increase in equity in Zeller's Limited	$ 39,726
Add charges to income which involve no cash outlay:	
Depreciation and amortization	8,972
Net increase in reserves	180
Deferred Federal income tax	345
Sale of common stock to employees	5,278
Total Funds Provided	$ 54,501
How Funds Were Used	
Dividends to stockholders	$ 19,737
Investment in furniture and fixtures	13,576
Improvements to leased properties	175
Investment in land and buildings	601
Debenture sinking fund requirement	1,687
Purchase of treasury stock	21,879
Purchase of preferred stock for cancellation	1,037
Purchase of common stock for deferred compensation plan	223
Increase in sundry accounts—net	967
Working capital increase (decrease)	(5,381)
Total Funds Used	$ 54,501

R. H. MACY & CO., INC.
Consolidated Statement of Source and Application of Funds

Source of Funds:	
Net earnings	$24,365,684
Non-cash items—	
Depreciation*	13,249,228
Increase in deferred Federal and state taxes	4,391,857
Other	371,706
	42,378,475
Additions to long-term debt	540,000
Sales of property	1,221,411
Proceeds from sales of common shares under options	1,550,277
Miscellaneous—net	315,337
Decrease (increase) in working capital	11,305,710
	$57,311,210
Application of Funds:	
Additions to property (including investments in and advances to affiliated shopping centers)	$40,764,857
Dividends on common and preferred shares	10,046,871
Reduction in previously existing long-term debt†	4,554,051
Increase in equity in Macy Credit Corp.	1,945,431
	$57,311,210

*Includes $546,551 and $519,528 of shopping center subsidiaries' depreciation charged to Income from non-trading sources in the Consolidated Statement of Earnings.
†Excludes conversions of debentures.

AMERADA HESS CORPORATION
Statement of Consolidated Source and Disposition of Funds

Source of funds	
Net income	$ 84,655,776
Depreciation, depletion and lease relinquishments	36,262,395
Intangible drilling and development costs	26,164,692
Other non-cash items—net	(3,715,147)
Funds derived from operations	143,367,716
Long-term borrowings	239,272,280
Disposal of properties and investments	5,471,618
Other sources—net	3,968,922
Decrease in working capital	62,314,724
Total source of funds	$454,395,260
Disposition of funds	
Capital expenditures	$244,645,495
Purchase of Amerada shares	139,958,914
Long-term debt reduction	18,747,574
Cash dividends paid	37,241,409
Other dispositions—net	13,801,868
Total disposition of funds	$454,395,260

Increase (Decrease) in Working Capital

XEROX CORPORATION
Consolidated Statement of Source and Application of Funds

(Dollars in thousands)	
Funds Received From	
Operations	
Net income	$161,368
Charges not requiring funds	
Depreciation of rental equipment	183,187
Depreciation of buildings and equipment	29,888
Amortization of patents and licenses	6,292
Amortization of deferred research and development	11,157
Deferred income taxes	3,921
United Kingdom corporation tax	9,912
Other	(681)
Total funds from operations	405,044
New long-term debt	90,398
Common stocks issued under employees' stock option and restricted stock purchase plans, and warrants of pooled company	23,860
Increase in outside shareholders' interests in net assets of subsidiaries	9,439
Total funds received	528,741
Funds Applied To	
Additions to rental equipment and related inventories, net	266,431
Additions to land, buildings and equipment, net	72,458
Deferred research and development	14,782
Dividends declared	43,969
Payments made or due within one year on long-term debt	14,765
Long-term notes and trade receivables	39,408
Other	762
Total funds applied	452,575
Increase in Working Capital	$ 76,166

KELLOGG COMPANY
Consolidated Source and Use of Funds

Source of Funds:	
Net Income for the Year	$ 44,632,861
Depreciation	12,572,889
Long-Term Foreign Loans	60,697
Property Disposals	2,043,383
Increase in Deferred Income Taxes	905,451
Sales of Common Stock under Options	84,855
	$ 60,300,136
Use of Funds:	
Additions to Properties	$ 22,031,341
Excess of Cost over Working Capital of Companies Acquired	28,747,411
Cash Dividends	28,862,159
Purchase of Preferred Stock for Treasury	66,327
	$ 79,707,238
Increase (Decrease) in Working Capital	$(19,407,102)

THE ANSUL COMPANY
Consolidated Statement of Source and Use of Funds

Source of Funds:	
Net earnings	$1,272,695
Depreciation	885,941
Long-term borrowing	2,976,873
Deferred income taxes	106,000
Stock options exercised	74,758
Sale of properties	53,353
	5,369,620
Use of Funds:	
Expenditures for properties	3,861,720
Cash dividends to stockholders	790,407
Investments in affiliates and subsidiary not consolidated	637,437
Increase in equity in net assets of affiliates and subsidiaries not consolidated	236,000
Purchase price in excess of values assigned to net assets of business purchased	492,000
Current maturities of long-term debt	775,509
Other	111,737
	6,904,810
Decrease in working capital	$1,535,190

J. RAY McDERMOTT & CO., INC.
Working Capital

At the close of the year working capital amounted to $79,685,931, a ratio of $3.26 of current assets for each $1.00 of current liabilities.

Working Capital Increased $15,464,837 During the Year, as Follows:

Increase in Working Capital:		
Income resulting from operations:		
Income from operations and other income—net (including extraordinary dividends)		$226,637,114
Less:		
Cash costs and expenses	$175,695,357	
Taxes on income (net of increase in deferred and prepaid)	6,728,098	182,423,455
Total increase from operations		$ 44,213,659
Proceeds from the exercise of stock options		1,030,429
Proceeds from sale of capital assets (including extraordinary items)		2,782,439
Increase in long-term debt		13,030,000
Increase in minority interest		988,232
		$62,044,759
Decrease in Working Capital:		
Expenditures for property, plant and equipment	$ 38,203,620	
Increase in investments, advances, etc.	1,113,185	
Dividends paid (cash and in kind)	7,263,117	46,579,922
Net Increase in Working Capital		$ 15,464,837

End of Year Working Capital

CENTRAL SOYA COMPANY, INC.
Consolidated Statement of Changes in Working Capital

Working capital provided from:	
Operations—	
Net earnings	$11,055,556
Depreciation and amortization	6,328,704
Deferred income taxes	74,000
Working capital from operations	17,458,260
Property disposals	637,006
Capital stock issued—	
To shareholders of purchased companies on exercise of options	69,350
Decrease in investments and advances—nonconsolidated affiliates (principally due to former affiliates becoming wholly-owned in 1969)	3,455,008
Additions to long-term debt	1,703,017
Total working capital provided	23,313,641
Working capital applied to:	
Property, plant and equipment	7,952,555
Property, plant and equipment of purchased companies	2,433,054
Cash dividends	5,135,156
Decrease in long-term debt	2,440,000
Increase in other assets	57,368
Cost in excess of net assets of subsidiaries	3,291,413
Total working capital applied	21,309,546
Increase in working capital	2,004,095
Working capital at beginning of year, including ($278,468) in 1969 from pooled companies	84,275,793
Working capital at end of year	$86,279,888

GENERAL HOST CORPORATION
Consolidated Statement of Source and Application of Funds

Source of funds:	
Income (loss) before extraordinary items	$ (8,919,000)
Non-cash items:	
Depreciation and amortization	4,302,000
Amortization of bond discount	351,000
Increase (decrease) in deferred federal income taxes	(963,000)
Total provided by (applied to) operations	(5,229,000)
Issuance of long-term debt, less retirements	141,972,000
Issuance of common stock purchase warrants	72,993,000
Net book value of property and plant sold	1,236,000
Net proceeds from issuance of common stock	216,000
Sale (purchase) of treasury stock	300,000
Other	(241,000)
	211,247,000
Application of funds:	
Investment in Armour and Company	202,032,000
Notes receivable	11,000,000
Capital expenditures	4,806,000
Non-current assets less non-current liabilities of subsidiary companies acquired	710,000
Charges to reserve for anticipated losses on discontinuation and disposal of operations	656,000
	219,204,000
Increase (decrease) in working capital	(7,957,000)
Working capital at beginning of year	16,936,000
Working capital at end of year	$ 8,979,000

SCREW AND BOLT CORPORATION OF AMERICA
Statement of Source and Application of Funds

	(Note 1)
Funds were received from sale of products	$55,380,510
Which were expended for:	
Raw materials, supplies and services	40,925,956
Wages, salaries and employee benefits	9,745,761
Taxes other than payroll taxes	2,469,011
	53,140,728
Income before extraordinary credit plus depreciation	2,239,782
Noncurrent accrued pension costs, less income taxes	20,774
Other funds were received from:	
Proceeds from sales of noncurrent assets, net of tax (Note 2)	470,579
Other—net	26,929
	2,758,064
Funds were used for:	
Purchase of land, buildings and equipment	205,311
Reduction of long-term debt	2,360,000
Dividends to shareholders	415,667
	2,980,978
Increase (decrease) in working capital	(222,914)
Working capital at beginning of year	22,985,643
Working capital at end of year	$22,762,729

Note 1: Basis for Preparation of Statements—The statement of income and earnings invested in the business includes the results of operations of the Wyckoff and Colona Divisions and income from investment of proceeds of the sale of the Industrial Fasteners Division. The results for 1968 include net sales of $23,201,866 and division profit contribution of $555,026 from the Industrial Fasteners Division through August 29, 1968, the date of the sale of this division.

Note 2: Extraordinary credits—The extraordinary credit for 1969 resulted from the condemnation of the unused Preble Avenue property by the Urban Redevelopment Authority of Pittsburgh. The Authority's estimate of just compensation of $597,000 was accepted by the Company without prejudice to its right to contest in court or to continue to negotiate with the Authority.

The extraordinary credit for 1968 resulted from the sale of the Industrial Fasteners Division.

SPARTANS INDUSTRIES, INC.
Consolidated Statement of Sources and Uses of Working Capital

Working Capital was Provided by:		
Operations:		
Net earnings		$ 23,962,013
Eliminate items charged to earnings which did not require use of working capital:		
Depreciation and amortization		10,664,359
Non-current deferred income taxes		1,275,000
Total		$ 35,901,372
Proceeds from sale of stock of Alexander's and its realty affiliate (net of $8,473,000 extraordinary gain included in above earnings)		9,834,436
Proceeds from sales of capital stock pursuant to exercise of stock options		234,017
Total		$ 45,969,825
Working Capital Was Used For:		
Acquisition of property, equipment and improvements:		
Korvette stores and other property under construction (net of $3,693,797 non-current portion of mortgages payable)		$ 8,627,101
Properties purchased from Arlen	$165,702,579	
Less portion of purchase price not requiring use of working capital:		
Subordinated notes and non-current portion of mortgages payable (net) $149,139,509		
Class B stock and warrants 12,000,000	161,139,509	4,563,070
Other property, equipment and improvements		12,963,480
Total		$ 26,153,651
Investments in and advances to partially owned subsidiaries and other corporate stock		4,647,929
Reduction of non-current portion of notes and other mortgages payable		3,630,327
Purchase of treasury stock		3,062,501
Dividends paid		2,605,561
Net increase in notes receivable and other assets		992,023
Total		$ 41,091,992
Net Increase in Working Capital		$ 4,877,833
Working capital—beginning of year		121,998,559
Working Capital—End of Year		$126,876,392

Cash or Cash Equivalents

THE STANDARD OIL COMPANY
(An Ohio Corporation)
Consolidated Source and
Application of Funds Statement

Source of Funds	
Net income	$ 51,922,000
Noncash charges against income	
Depreciation and depletion	55,316,000
Other	3,969,000
Funds provided from operations	111,207,000
Sales of property, plant, and equipment	7,402,000
Capital stock of pooled subsidiary (BP) issued for assets	425,344,000
Common stock issued under option plans	4,473,000
Long-term debt issued	
Debentures	100,000,000
Notes	75,000,000
Other	2,334,000
	725,760,000
Application of Funds	
Cash dividends	36,528,000
Expenditures for property, plant, and equipment	211,919,000
Noncurrent assets acquired in exchange for capital stock of pooled subsidiary (BP)	410,892,000
Retirement of debt	11,220,000
Purchase of capital stock for corporate purposes	131,000
Investments and other uses	5,254,000
Change in current receivables and inventories, less current liabilities (excluding current maturities on long-term debt)	(4,062,000)
Change in cash and marketable securities	53,878,000
	$725,760,000

Decreases shown in parentheses.

STUDEBAKER-WORTHINGTON, INC.
Consolidated Statement of Cash Flow

Balance of cash and marketable securities—December 31, 1968	$ 66,971,663
Add:	
Income before income taxes	70,083,112
Depreciation (non-cash expense)	12,351,644
Proceeds from:	
Increase of accounts payable and accrued expenses	25,748,520
Disposition of discontinued operations	17,856,185
Deutsche mark bearer notes	11,250,000
Revolving bank credit	1,700,000
Notes payable	4,418,705
Advance payments from customers	2,922,350
Sale of stock under stock option plans	1,242,596
	214,544,775
Deduct:	
Dividends declared	10,191,004
Expenditures for property, plant and equipment	27,280,747
Purchase of common stock in treasury	25,600,904
Additional investment in inventories	26,689,658
Additional investment in accounts receivable	21,086,581
Investment in unconsolidated subsidiaries, 50% owned company and other companies	26,922,771
Payment of federal income taxes	13,892,880
Payment of 5¼% notes (Note 1)	7,500,000
Payment of other long-term debt	2,062,636
Increase in other assets	4,141,979
Other changes—net	4,660,155
	170,029,315
Balance of cash and marketable securities—December 31, 1969	$ 44,515,460

Note 1 (in part): The Company sold for cash and 157,673 shares of 6¾% cumulative convertible preferred stock of White Motor Corporation the business of Alco Engine, Inc. and Alco Products Service, Inc., (plan for disposition announced in 1968). As a result of this sale, $7,500,000 of the 5¼% notes due 1970-1985 was prepaid as required by such loan agreement.

USM CORPORATION
Source and Use of Funds

Source	
Net income	$ 16,764,000
Depreciation and amortization	
Leased machinery	11,562,000
Property, plant and equipment	8,672,000
Intangible assets	497,000
Increase in deferred income taxes	628,000
Funds provided from operations	38,123,000
Fixed assets sold or retired, less accumulated depreciation	
Leased machinery	4,837,000
Property, plant and equipment	1,178,000
Increase in current liabilities	5,943,000
Issue of convertible preference stock (Note A)	38,940,000
Issue of new long-term debt (Note E)	13,920,000
Stock issued for options and acquisitions	3,815,000
Increase in minority interest	706,000
All other sources	828,000
Total	$108,290,000
Use	
Farrel net assets (excluding cash) as of August 1, 1968 (Note A)	$ 36,186,000
Property, plant and equipment	12,852,000
Leased machinery	
Machines shipped	14,898,000
On hand and in process	(1,286,000)
Increase in inventories	5,079,000
Increase in accounts receivable	10,609,000
Decrease in notes and mortgages	549,000
Dividends paid	7,833,000
Purchase of treasury common stock	4,998,000
Hanover litigation settlement—net (Note C)	2,862,000
All other uses	4,995,000
Total	$ 99,575,000
Increase in cash and short-term investments	$ 8,715,000

Notes to Consolidated Financial Statements

Note A (in part): *Principles of Consolidation*—On August 1, 1968, the company agreed to acquire all of the outstanding common

stock of Farrel Corporation in exchange for 778,800 shares of convertible preference stock, $2.10 series. This transaction has been accounted for as a purchase, and the consolidated statement of income for the year ended February 28, 1969 includes the results of operations of Farrel from August 1, 1968. During the year, the company also acquired Standard Tool Company, John Orme, Limited and subsidiaries and three other foreign companies.

Note C: Hanover Litigation Settlement—On June 17, 1968, the Supreme Court reversed the judgment of the Court of Appeals for the Third Circuit in The Hanover Shoe, Inc. case and remanded the case for further proceedings consistent with its opinion, which in effect, reinstated the award by the District Court against the company.

This litigation was settled with Hanover for $6,100,000 and has been reflected, net of related tax benefit, as a prior period adjustment to retained earnings.

Note E (in part): *Long-Term Debt*—Bonds representing the 5½% loan were issued in December 1968 by USM International Finance Corporation, a wholly-owned subsidiary, to finance the company's international operations. The loan, guaranteed in full by the company, is payable by the subsidiary in five annual installments of 12,000,000 Swiss francs (currently approximately $2,784,000) from 1980 to 1984. The subsidiary has the option to prepay the installments at prices decreasing from 104% of par value in 1972 to 101% in 1979.

FUNDS PROVIDED BY OPERATIONS

A preference for a disclosure of the calculation of the funds provided by operations is expressed in *Opinion No. 3* as follows:

> Of the various forms of the statement, the preferred one follows the common practice of beginning with the funds derived from operations (net income plus or minus "non-funds" adjustments), the calculation being shown either at the beginning of the statement or in a footnote.

Table 5-5 demonstrates that information for the calculation is presented by the survey companies with funds statements. Five hundred and thirty-eight companies added noncash charges concerned with depreciation and/or amortization and/or depletion as a separate figure, 282 companies added an item(s) for deferred taxes and/or investment credit, and 169 companies added additional or unspecified noncash charges.

Examples illustrating the various presentations of funds provided by operations in the 1969 annual reports follow.

TABLE 5-5: FUNDS PROVIDED BY OPERATIONS—CONTENT AND PRESENTATION

Items in the Statement Related to Operations	Number of Companies with the Enumerated Items: Subtotaled	Not subtotaled	Total Companies
Net income or loss	286	262	548
Depreciation and/or amortization and/or depletion	286	252	538
Deferred taxes and/or deferred investment credit	177	105	282
Additional items to above and/or other presentations	123	46	169

Subtotal Shown for Funds Provided by Operations

ALLIS-CHALMERS MANUFACTURING COMPANY
Statement of Source and Application of Funds

	(in thousands of dollars)
Source of Funds:	
Operations:	
Net income for the year	$ 18,423
Depreciation of plants and equipment	17,844
Decrease in estimated future income tax benefits—non-current	21,894
	58,161
Deduct: Net income of unconsolidated finance subsidiaries	4,766
Total Source of Funds—Operations	53,395
Net proceeds from sale of 450,000 shares of $4 preferred stock	44,773
Net current assets of Standard Steel Corporation at date of acquisition	3,385
Disposal of plants and equipment	7,880
Total Source of Funds	109,433
Application of Funds:	
Additions to plants and equipment	27,575
Reduction of special reserves—non-current	14,879
Net reduction of long-term debt	2,958
Investments in finance and other subsidiaries	4,475
Increase in other investments, assets and deferred charges	4,570
Dividends on $4 preferred stock	1,495
Total Application of Funds	55,952
Increase in Working Capital	53,481
Working Capital, January 1, 1969	157,723
Working Capital, December 31, 1969	$211,204

AMERICAN BILTRITE RUBBER CO., INC.
Statement of Consolidated Source and Use of Funds

Source of Funds	
From operations:	
Net earnings	$3,771,550
Provision for depreciation and amortization	4,266,659
Minority interest in net earnings of subsidiaries	338,291
Amortization of excess of net assets of subsidiaries acquired over cost of investments	(308,373)
Prior years' tax benefits of acquired subsidiaries	579,000
Provision for unfunded pensions	(25,606)
Provision for deferred federal income taxes	359,855
	8,981,376
Decrease (increase) in miscellaneous notes and accounts and investments in and advances to associated companies	233,403
Proceeds on sale of restricted stock	25,000
	$9,239,779
Use of Funds	
Additions to property, plant and equipment—net	$4,466,050
Property, plant, and equipment of subsidiaries acquired	204,191
Cash dividends declared (includes dividends paid to minority stockholders of subsidiary)	1,878,309
Net decrease in long-term debt	864,552
Purchase of treasury shares	235,159
Excess cost of investment in subsidiaries over net assets acquired	1,893
Increase in working capital	1,589,625
	$9,239,779

CUTLER-HAMMER, INC.
Consolidated Statement of Source and Application of Funds

Source of Funds:	
Net income	$ 6,425,924
Provision for depreciation	4,514,942
Other items	295,721
Total from operations	11,236,587
Decrease in time deposits in foreign banks reserved for foreign operations	1,692,500
Increase in deferred taxes on income	243,983
Increase in minority interests in subsidiaries	305,033
Other sources	187,849
Total Source of Funds	$13,665,952
Application of Funds:	
Dividends paid	$ 4,041,997
Additional investment and advances to affiliates	312,092
Expenditures for property, plant and equipment	5,399,018
Decrease in long-term debt	1,415,905
Increase in working capital	2,496,940
Total Application of Funds	$13,665,952

ARCHER DANIELS MIDLAND COMPANY
Summary of Changes in Consolidated Working Capital

Working capital at beginning of year	$69,264,067
Additions	
From earnings	
Net earnings for the year	3,393,566
Provision for depreciation and obsolescence	3,205,625
Provision for deferred income taxes	503,387
Total from earnings	7,102,578
Deferred payments receivable from sale of chemical business	7,410,000
Decrease in investments and other assets	202,399
Long-term lease financing	4,370,007
Increase in minority shareholders' interest	40,932
	19,125,916
Deductions	
Additions to property, plant and equipment	15,504,300
Less disposals	45,048
	15,459,252
Dividends paid in cash	2,221,073
Treasury stock acquired	2,031,272
Current portion of long-term debt	1,000,000
	20,711,597
Working capital at end of year	$67,678,386

FRUEHAUF CORPORATION
Consolidated Statement of Working Capital

Sources of Working Capital:	
Operations:	
Net earnings	$ 26,388,718
Depreciation of equipment leased to customers	16,300,349
Depreciation of plant and equipment	9,323,610
Increase in deferred taxes on income	3,740,324
Total from Operations	$ 55,753,001
Issuance of 5½% Convertible Subordinated Debentures, at par	60,000,000
Decrease in investment in and amount due from Fruehauf Finance Company	8,769,231
Increase in long-term obligations	4,348,940
Treasury stock issued in conjunction with Incentive Compensation and Restricted Stock Purchase Plans	658,737
Proceeds from sale of Common Stock	23,075
	$129,552,984
Application of Working Capital:	
Cash dividends	$ 14,971,250
Additions to equipment leased to customers, less disposals	48,927,363
Additions to property, plant and equipment, less disposals	23,573,050
Increase in Transport Investment Division secured loans	5,207,096
Increase in investments in and amounts due from affiliated companies not consolidated	1,051,778
Purchase of Debentures and Preferred Stock to satisfy future sinking fund requirements	2,229,470
Miscellaneous	4,553,960
	$100,513,967
Net Increase in Working Capital for the Year	$ 29,039,017
Working Capital at Beginning of the Year	80,848,069
Working Capital at End of the Year	$109,887,086

BOISE CASCADE CORPORATION
Sources and Applications of Funds

	(000)
Beginning Working Capital	$174,464
Sources	
Net income	$ 84,010
Depreciation and depletion	48,790
Increase in deferred income taxes	23,470
Total from operations	$156,270
Borrowing under long-term debt	63,234
Collections on foreign government obligations	7,749
Issuances of capital stock, net of treasury shares purchased	1,089
Sales and retirements of property and equipment	15,926
Miscellaneous	3,180
	$247,448
Applications	
Property and equipment	$ 87,191
Timber and timberlands	8,336
Capital expenditures	$ 95,527
Increase in realty assets, net of realty liabilities	63,859
Cash dividends	14,908
Reduction of long-term debt	86,075
Increase in other investments	973
	$261,342
Decrease in working capital	$ 13,894
Ending Working Capital	$160,570

CHAMPION SPARK PLUG COMPANY
Statement of Consolidated Source and Application of Funds

Funds provided:	
Net earnings for the year	$27,428,966
Add charges against earnings not requiring expenditure of funds:	
Minority interest in net earnings of subsidiaries	1,214,043
Depreciation and amortization of fixed and intangible assets	6,591,047
Increase (decrease) in deferred Federal income taxes	(119,810)
Funds derived from operations	35,114,246
Net increase in other long-term debt	1,353,790
	36,468,036
Funds used:	
Cash dividends to Champion stockholders	14,682,116
Purchase of Champion's 5⅞% Debentures due September 15, 1992	1,000,000
Additions to property, plant and equipment, less disposals	17,443,216
Additional investment in Orrtronics, Inc.	2,000,000
Other items, net	1,209,712
	36,335,044
Increase (decrease) in working capital	$ 132,992

GENERAL REFRACTORIES COMPANY
Consolidated Statements of Source and Application of Funds

Funds Provided By:	
From operations:	
Net income (loss) for the year	$ 4,373,331
Add or (deduct) items not involving funds:	
Depreciation and depletion	8,194,166
Extraordinary charge	2,100,000
Deferred income taxes	713,649
Equity in undistributed net income of fifty per cent owned foreign companies	(320,658)
Provision for interest on noncurrent federal income taxes	90,000
Other, principally provision for noncurrent liabilities	700,084
	15,850,572
Proceeds from disposal of property, plant and equipment, net of gains or losses included in net income	2,420,002
New long-term debt	419,966
Decrease of long-term investments	3,322,587
Total Funds Provided	22,013,127
Funds Applied To:	
Acquisition of property, plant and equipment	5,750,794
Cash dividends on preferred shares	156,178
Long-term investments, including advances	822,525
Reduction of long-term debt	7,090,022
Other assets and deferred charges	2,370,788
Total Funds Applied	16,190,307
Increase (decrease) in working capital	$ 5,822,820

GENESCO INC.
Consolidated Statement of Source and Use of Funds

Source of Funds:	
Net earnings	$30,283,000
Depreciation and amortization	11,374,000
Amortization of deferred charges and increase in deferred taxes	2,914,000
Credits to earnings not providing funds	(1,866,000)
Funds derived from operations	42,705,000
Proceeds from sale of capital stock	18,093,000
Proceeds from long-term debt issued	11,267,000
Change in other investments	872,000
Plant and equipment sales, including sales and leasebacks	9,867,000
	$82,804,000
Use of Funds:	
Dividends paid	$18,995,000
Treasury stock acquired	5,882,000
Long-term debt paid or charged against working capital	5,289,000
Change in minority interests	4,806,000
Other changes in nonconsolidated and 50% owned companies and deferred credits to income	5,488,000
Plant and equipment purchases	27,099,000
Increase in deferred charges and other assets	1,165,000
Increase in working capital	14,080,000
	$82,804,000

HERCULES INCORPORATED
Consolidated Statement of Source and Application of Funds

Source of Funds	
Operations	
Net income	$ 43,943,700
Depreciation and amortization	51,329,198
Insurance reserve	3,122,918
Deferred U.S. and foreign taxes on income	4,854,688
	103,250,504
Decrease in industrial revenue bond funds held by trustees	43,938,121
Capital stock sold to employes	1,775,064
Other	7,351,928
Total	$156,315,617
Application of Funds	
Expenditures for property, plant and equipment	$ 63,590,589
Decrease in long-term debt	26,887,100
Cash dividends	23,834,165
Investment in foreign subsidiaries not consolidated and associated companies	10,646,179
Capital stock reacquired	15,558,642
Other	8,753,124
Total	$149,269,799
Increase (Decrease) in Working Capital	$ 7,045,818

HERSHEY FOODS CORPORATION
Consolidated Statement of Source and Disposition of Funds

Source		
Net income for the year		$12,041,411
Income charges not requiring the disbursement of cash:		
Depreciation	$4,770,121	
Deferred income taxes	1,370,793	6,140,914
Funds provided from operations		18,182,325
Increase in long term debt		587,697
		18,770,022
Disposition		
Dividends paid		13,059,131
Treasury stock acquired		766,297
Additions to plant and property.		9,420,523
Other (Net)		2,637,990
		25,883,941
Decrease in working capital		$ 7,113,919

LYKES-YOUNGSTOWN CORPORATION
Consolidated Statement of Source and Use of Funds

Source of Funds		
Net income for the year		$ 11,511,000
Provision for depreciation and depletion		46,743,000
Increase in cumulative tax effects—timing differences		5,529,000
Funds derived from operations		63,783,000
Net increase in long-term debt		
7½ % subordinated debentures	$180,722,000	
Notes payable	90,433,000	
First Mortgage Bonds of Youngstown	(7,224,000)	
		263,931,000
Issuance of $4 Series convertible preferred stock for 93% interest in life insurance company		4,669,000
Exercise of stock options		1,445,000
		333,828,000
Use of Funds		
Purchase of minority interest in The Youngstown Sheet and Tube Company for 7½ % subordinated debentures and cash		254,947,000
Property additions		81,245,000
Dividends		18,386,000
Investment in other companies		6,860,000
Increase in statutory reserve funds		4,178,000
Other changes—net		1,390,000
		367,006,000
Decrease in working capital		$ 33,178,000

NATIONAL TEA CO.
Statement of Consolidated Source and Disposition of Funds

Source of Funds:	
Net income	$ 7,193,880
Non-cash items deducted in arriving at net income:	
Depreciation and amortization	14,006,867
Deferred Federal income taxes	(1,025,328)
	$20,175,419
Proceeds from bank term loan of $35,000,000 (net of 5¼ %, $4,000,000 note refinanced)	31,000,000
Working capital of Loblaw Inc. acquired	12,160,311
Total	$63,335,730
Disposition of Funds:	
Cash dividends to shareholders	$ 6,277,424
Additions to property and equipment, net	15,748,844
Maturities of long-term debt	3,233,772
Acquisition of 2,655,720 Loblaw Inc. common shares	22,500,000
Acquisition of treasury shares	7,375
Other dispositions, net	129,221
Increase in working capital	15,439,094
Total	$63,335,730

EMHART CORPORATION
Statement of Source and Application of Consolidated Working Capital

Source of Working Capital:		
Net income		$13,876,000
Add—Non cash items:		
Depreciation	$ 4,597,000	
Deduct Other items—net.	129,000	4,468,000
Total		18,344,000
Proceeds from sale of plant property		713,000
Sales of stock under option plans		357,000
Other—net		396,000
Total		19,810,000
Application of Working Capital:		
Additions to plant property		9,278,000
Dividends declared—cash		5,901,000
Decrease in long-term debt		1,252,000
Decrease in deferred taxes		1,413,000
Total		17,844,000
Working Capital:		
At end of year	$79,087,000	
At beginning of year	77,121,000	
Increase in Working Capital		$ 1,966,000

NEBRASKA CONSOLIDATED MILLS COMPANY
Statement of Sources and Uses of Consolidated Working Capital

Working capital provided by:	
Net earnings	$ 5,096,090
Add expenses not requiring cash outlay (deduct credits):	
Depreciation and amortization	2,053,622
Deferred income taxes	124,616
Amortization of deferred credits	(123,751)
Provision for disposition losses	215,800
Total working capital provided from operations	7,366,377
Proceeds from stock issued upon exercise of options	8,717
Decrease in other assets	33,473
Market value of common stock issued in purchase of a business	1,267,500
Total working capital provided	8,676,067
Working capital used for:	
Additions to property, plant and equipment, net of sales and retirements	4,066,447
Acquisition of businesses, less current assets acquired, $4,663,435	1,976,960
Other items net	49,694
Decrease in long-term debt	953,080
Cash dividends:	
Common stock	836,209
Preferred stock	296,190
Total working capital used	8,178,580
Net increase in working capital	497,487
Working capital at beginning of year	13,611,852
Working capital at end of year	$14,109,339

PHILIP MORRIS INCORPORATED
Consolidated Statements of Source and Application of Funds

Source:	
Net earnings	$ 58,340,000
Add (deduct), items not requiring outlay of funds:	
Depreciation	13,512,000
Amortization	489,000
Deferred income taxes and investment credit	3,894,000
Equity in net earnings of unconsolidated subsidiaries	(4,506,000)
Dividends received from unconsolidated subsidiaries	1,356,000
Funds from operations	73,085,000
Financing:	
New long-term debt	140,000,000
Less, prepayments, conversions and retirement of long-term debt	8,400,000
Net additional long-term debt	131,600,000
Less, debt discount	2,603,000
Net proceeds of long-term debt	128,997,000
Shares issued under stock options	4,911,000
Funds from financing	133,908,000
Total funds available	$206,993,000
Application:	
Dividends	$ 22,681,000
Expansion and modernization of property, plant and equipment:	
Additions	23,636,000
Disposals	662,000
Net cost of expansion and modernization	22,974,000
Investments in and advances to unconsolidated subsidiaries	157,686,000
Other, net	3,256,000
Increase in working capital	396,000
Total funds applied	$206,993,000

OSCAR MAYER & CO. INC.
Source and Use of Funds

Source of Funds:	
Net income for the year	$12,814,039
Depreciation	6,842,488
Deferred investment tax credit	258,340
Deferred taxes	731,290
Equity in income of associated company	(590,617)
	20,055,540
Dividend from associated company	900,000
Notes payable to banks	10,000,000
Sales of properties	470,611
Stock options exercised	768,333
Minority interest in undistributed income of foreign subsidiaries	274,210
All others (net)	368,894
	32,837,588
Use of Funds:	
Additions to properties	20,783,856
Dividends to shareholders	5,049,521
Reduction in serial notes payable	500,000
	26,333,377
Increase in Working Capital	6,504,211
Working capital at beginning of period	33,644,033
Working Capital at end of period	$40,148,244

REX CHAINBELT INC.
Consolidated Statement of Source and Application of Funds

Source	
From operations	
Net income	$ 9,610,000
Depreciation	4,110,000
	13,720,000
Net current assets of acquired companies	361,000
Net book value of fixed asset dispositions	1,009,000
Decrease (increase) in other long-term assets	319,000
Increase (decrease) in long-term liabilities	370,000
	15,779,000
Application	
Increase in investments in affiliated companies	2,571,000
Capital expenditures, including $3,006,000 for acquired company	9,642,000
Cash dividends declared	5,938,000
Miscellaneous	927,000
	19,078,000
Increase (decrease) in working capital	$(3,299,000)

RELIANCE ELECTRIC COMPANY
Statement of Consolidated Source and Application of Working Capital

	(Thousands of Dollars)
Working Capital—at beginning of year	$80,882
Source	
From operations:	
Net earnings	17,412
Depreciation	5,777
Deferred income taxes	939
Total From Operations	24,128
Long-term bank borrowings	18,107
Sale of stock under option plans	505
	42,740
Application	
Cash dividends declared	9,318
Property expenditures less disposals	20,551
Less Trustee funds expended	11,097
	9,454
Investments in foreign subsidiaries and affiliates	4,530
Purchase of Common Stock of Applied Dynamics, Inc.	5,084
Purchase of Common Stock for treasury	10,965
Long-term debt maturities	3,509
Other	499
	43,359
Increase (Decrease) in Working Capital	(619)
Working Capital—at end of year	$80,263

REYNOLDS METALS COMPANY
Consolidated Summary of Source and Application of Funds

Source of funds	
From operations:	
Net income	$ 55,087,732
Charges which did not involve cash expenditures during year:	
Provision for depreciation, depletion and amortization	63,564,333
Provision (net) for deferred taxes on income, pensions, etc.	10,110,950
Increase in minority interest	508,681
	$129,271,696
Proceeds of long-term debt (excluding subordinated obligations)	10,701,709
	$139,973,405
Application of funds	
Additions to property, plant and equipment, less depreciated cost of disposals (1969—$124,567,989 less $67,457,951 decrease in designated cash and securities; 1968—$124,181,290 plus $34,133,383 increase in designated securities)	$ 57,110,038
Cash dividends	19,415,991
Payments on long-term debt and reclassification of such debt maturing within one year	30,292,007
Purchases of Preferred Stock for retirement	1,726,268
Increase in investments in and receivables from related companies	5,003,396
Increase in deferred charges and other assets	3,758,933
Increase in net current assets	22,666,772
	$139,973,405

ADMIRAL CORPORATION
Consolidated Summary of Source and Application of Funds

Source of Funds:		
From operations:		
Net income		$ 1,492,449
Add:		
Depreciation and amortization		7,257,305
Minority stockholders' equity in net income		284,440
		9,034,194
Deduct:		
Equity in earnings of unconsolidated finance subsidiaries	$ 681,164	
Credits for deferred income taxes	1,883,366	2,564,530
		6,469,664
Proceeds from sale of Common Stock under stock option plans		393,281
Proceeds from sale of capital stock of a subsidiary		6,039,331
Increase in reserve for warranties and deferred credits		6,426,171
		$19,328,447
Application of Funds:		
Expenditures for property, plant and equipment, including tools and dies (net)		$ 5,460,880
Reduction of long-term debt		2,605,000
Increase in other receivables and sundry assets and other items		3,637,339
Increase in advances to unconsolidated finance subsidiary		378,922
Dividend paid to minority stockholders		73,875
Increase in consolidated working capital		7,172,431
		$19,328,447

Subtotal With Loss From Operations

GRANGER ASSOCIATES
Consolidated Statement of Source and Application of Funds

Funds were provided by	
Reduction of working capital	$855,473
Sales of capital stock pursuant to employee stock purchase and stock option plans	87,234
Liquidation of deposits, deferred charges and other sources	19,397
	$962,104
Funds were applied to	
Operations	
Net loss for year	$785,463
Less Depreciation	(338,643)
Deferred taxes and other non-cash items, net	(76,230)
Funds applied to operations	370,590
Purchases of plant and equipment, net	507,335
Payments on long-term debt	84,179
	$962,104

AMERICAN BAKERIES COMPANY
Statement of Source and Application of Funds

Funds Were Provided By:	
Net (loss) earnings for the year	(3,177,335)
Provisions for depreciation and amortization	6,978,986
Provision for estimated losses in connection with plant closings, net	2,306,000
(Decrease) increase in deferred Federal income taxes	(70,823)
Total funds provided by operations	$ 6,036,828
Assumption of debt and lease obligations	7,671,603
Sale of $1.80 convertible prior preferred stock and warrants	2,505,000
Sale of common treasury stock and unissued common stock under stock option plans	135,436
Other net	87,246
Total funds provided	$16,436,113
Funds Were Applied To:	
Additions to property, plant and equipment, net	$ 6,273,704
Current maturities of long-term debt	3,531,390
Dividends paid	1,607,163
Purchase of $1.80 preferred stock	108,430
Total funds applied	$11,520,687
Increase (decrease) in working capital	$ 4,915,426
Working capital—beginning of year	8,342,071
Working capital—end of year	$13,257,497

WALWORTH COMPANY
Statement of Sources and Uses of Cash

Sources of Cash: Operating:	
Decrease in inventories	$ 1,152,000
Increased payables less increased receivables	586,000
Decrease in other assets	308,000
Disposals and retirements of equipment	159,000
Total operating	2,205,000
Non-Operating:	
Borrowings from banks	4,000,000
Sale of common stock under option	61,000
Total sources of cash	6,266,000
Uses of Cash: Operating:	
Net loss for period	3,697,000
Change in deferred federal income tax liability	1,070,000
Increase of equity in unconsolidated subsidiary	378,000
Additions to plant and equipment	2,232,000
Less: Depreciation	(1,323,000)
Decrease in other current liabilities	232,000
Total operating	6,286,000
Non-Operating:	
Payment of long term debt	900,000
Total uses of cash	7,186,000
Decrease (Increase) in Cash	$ 920,000

LOFT CANDY CORPORATION
Statement of Sources and Disposition of Working Capital

Working capital was used for:	
Operations:	
Net loss	$ 3,252,551
Less charges not requiring expenditure of funds (net):	
Depreciation and amortization	(357,782)
Gain on sale of securities	283,846
Gain or (loss) on sale or abandonment of equipment	10,437
Balance	$ 3,189,052
Acquisition of property, plant and equipment	817,497
Total	$ 4,006,549
Working capital was derived from:	
Proceeds from sale of leaseholds, equipment and improvements	$ 33,562
Proceeds from sale of securities	802,488
Proceeds from sale of capital stock	37,750
Increase or (decrease) in non-current portion of mortgage payable and amounts due from purchase of equipment	52,846
(Increase) or decrease in other assets	16,231
Total	$ 942,877
Net (Decrease) in Working Capital	$(3,063,672)
Working capital—beginning of year	3,076,611
Working Capital—End of Year	$ 12,939

DIVIDENDS

Dividends were disclosed in the funds statement by all but two of the companies which paid dividends. Table 5-6 indicates that about 6% of the companies

TABLE 5-6: DIVIDENDS IN THE "FUNDS" STATEMENT

	Number of Companies		
Presentations*	1969	1968	1967
A: One amount for dividends declared	484	470	472
B: More than one amount for dividends declared	29	37	28
No dividends caption in "funds" statement, dividends declared disclosed elsewhere	2	1	1
No dividends declared	33	27	23
Total	548	535	524

* Refer to Company Appendix Section—A: 77, 229, 609, 712; B: 96, 406, 510, 569.

reporting dividends did so in two or more amounts on the funds statement.

Examples of the presentation of dividends in the funds statements of the 1969 reports can be found on previous pages and in the illustrations which follow.

One Caption for Dividends

THE FLINTKOTE COMPANY
Consolidated Statements of Source and Application of Funds

Source of Funds:	
Net income	$11,689,000
Provision for depreciation and depletion	15,232,000
Increase in deferred taxes and investment tax credits	1,958,000
Exercise of employee stock options	158,000
Other, net	1,075,000
	$30,112,000
Application of Funds:	
Additions to property, plant and equipment	$20,688,000
Reduction in long-term debt	4,502,000
Dividends paid on preferred and common stocks	7,564,000
	32,754,000
Decrease in working capital	2,642,000
	$30,112,000

FOREMOST-McKESSON, INC.
Statement of Consolidated Source and Application of Funds

Funds Provided	
Net income	$25,605,000
Depreciation—straight line	9,030,000
Decrease in investments and advances	1,076,000
Sale of capital stock under employee plans	1,412,000
Miscellaneous—net	387,000
Total	$37,510,000
Funds Applied	
Increase in property, plant and equipment	$ 8,591,000
Decrease in long-term debt excluding conversions	1,288,000
Reacquired common shares	1,108,000
Cash dividends	12,589,000
Increase in working capital	13,934,000
Total	$37,510,000

TENNECO INC.
Consolidated Source and Use of Funds

Source of Funds:	
Net income	$165,490,544
Depreciation, depletion and amortization	169,549,008
Deferred federal income taxes	2,257,788
Pipeline bonds sold	50,000,000
Debenture bonds sold or exchanged for assets	102,102,500
Units of debentures and common stock warrants sold	100,000,000
Other long-term debt	31,817,721
Disposal of properties	22,413,576
Other (net)	15,586,833
	$659,217,970
Use of Funds:	
Capital expenditures for plant, property and equipment—	
Natural gas pipelines	$125,978,856
Oil production, refining, marketing	102,787,828
Machinery, equipment and shipbuilding	37,945,809
Packaging	19,163,994
Chemicals	19,054,841
Land use and other	11,972,689
	$316,904,017
Net assets purchased in acquisitions	49,503,293
Retirement of interest bearing long-term debt	97,020,783
Retirement of noninterest bearing purchase obligations	8,332,726
Retirement of production payments	33,124,138
Dividends on common, preferred and preference stock	109,227,868
Common stock reacquired, net of common stock sold or exchanged for assets	1,675,156
Preferred stock reacquired	7,068,300
Preference stock acquired by subsidiary	49,559,404
Investments (net)	42,593,608
Net change in working capital exclusive of current maturities and Newport News working capital at acquisition	(55,791,323)
	$659,217,970

THE SIGNAL COMPANIES, INC.
Consolidated Statement of Source and Disposition of Funds

Source of Funds:	
Income before extraordinary item	$ 52,310,000
Non-cash (income) expense items included above:	
Depreciation, depletion and amortization; and abandonments of nonproductive oil properties	41,550,000
Deferred income taxes, etc., excluding tax on oil production payments	14,153,000
Equity in income of unconsolidated subsidiaries and fifty-percent owned companies	(6,507,000)
From operations	101,506,000
Increase in long-term debt (net)	84,639,000
Capital stock issued in connection with the purchase of subsidiary companies	16,899,000
Decrease (increase) in deferred charges	(4,686,000)
Proceeds received on exercise of stock options and warrants	4,282,000
Sales of property (net book value)	3,303,000
Decrease in working capital	20,967,000
Total	$226,910,000
Disposition of Funds:	
Capital expenditures	$100,439,000
Investment in and advances to unconsolidated subsidiaries (net)	39,810,000
Investment in securities	30,176,000
Deferred development costs	25,595,000
Dividends to shareholders	24,576,000
Retirement (sale) of oil production payments (net of tax)	12,324,000
Capital stock and long-term notes of Occidental Petroleum Corporation	(10,000,000)
Purchases of treasury stock	2,930,000
Other (net)	1,060,000
Total	$226,910,000

GREAT WESTERN UNITED CORPORATION
Consolidated Statements of Changes in Working Capital (Note A)

	(In thousands of dollars)
Additions:	
Operations:	
Net income	$ 8,300
Depreciation	5,249
Deferred income taxes	(367)
Total from operations	13,182
Long-term debt	3,133
Other—net	506
Total	16,821
Dispositions:	
Property additions—net	13,171
Cash dividends	4,748
Other assets	4,693
Total	22,612
Decrease in working capital	$ 5,791

Note A—Amounts do not include additions and dispositions of Great Western Cities.

JONES & LAUGHLIN STEEL CORPORATION
Source and Application of Funds

Working Capital at Start of Year	186,993,000
Source of Funds	
Net income	22,098,000
Recovery from depreciation and depletion	59,172,000
Deferred income taxes—net	(11,315,000)
Sale of production payments due after one year	28,600,000
Increase in long-term debt	39,137,000
Sale of common stock under stock options	28,000
All other—net	(312,000)
Total	137,408,000
Application of Funds	
Increase in long-term receivables and miscellaneous investments	36,431,000
Retirement of preferred stock through exchange for debentures	17,137,000
Dividends to shareholders	22,280,000
Expenditures for plant and equipment	83,630,000
Total	159,478,000
Decrease in Working Capital	(22,070,000)
Working Capital at End of Year	$164,923,000

U.S. PLYWOOD-CHAMPION PAPERS INC.
Consolidated Source and Use of Funds

	(In thousands of dollars)
Source of Funds:	
Net income	$ 64,437
Depreciation and depletion	44,180
Proceeds from capital stock	10,116
Reduction of construction fund deposits	38,124
Retirements and sales of plant, property and equipment	6,564
All other—net	3,991
Total	167,412
Use of Funds:	
Dividends	30,655
Plant expansion and improvement	99,559
Acquisition of timberlands and rights to standing timber	16,778
Reduction in long-term debt	22,020
Increase in investments and other assets	1,699
Total	170,711
(Decrease) Increase in Working Capital	(3,299)

More Than One Caption for Dividends

MONSANTO COMPANY
Consolidated Source and Application of Funds

	(In Thousands)
Source of Funds:	
From operations:	
Net income	$116,107
Non-cash charges to income:	
Depreciation, depletion, etc.	163,725
	279,832
Outside financing:	
Foreign subsidiaries	12,600
Net book value of fixed assets retired	24,365
Common and preferred shares issued under options	962
Other—net	*13,554*
	304,205
Application of Funds:	
Dividends on common shares	58,993
Dividends on preferred shares	2,180
Dividends of subsidiaries prior to acquisition	1,941
Plant additions and replacements	219,872
Retirement of long term debt	17,306
Increase in working capital(1)	66,319
Increase—*decrease* in cash and securities	*62,406*
	$304,205

(1) Exclusive of cash and securities and current portion of long term debt.

PITNEY-BOWES, INC.
Statement of Changes in Consolidated Working Capital

Working capital at beginning of year	$ 64,921,000
Additions	
Net income	15,926,000
Depreciation and amortization	15,033,000
Decrease in provision for deferred taxes on income	(60,000)
From operations	30,899,000
Increase in long-term debt	12,337,000
Sale of common stock to employees	1,567,000
Total additions	44,803,000
Total	109,724,000
Deductions	
Additions to property, plant, and equipment	22,218,000
Additions (reductions) to other non-current assets	(252,000)
Dividends paid on common stock	7,924,000
Dividends paid on preferred stock	480,000
Total deductions	30,370,000
Working capital at end of year	$ 79,354,000

CONSOLIDATED FOODS CORPORATION
Consolidated Statement of Funds

Funds Were Provided By:		
Net income		$ 49,689,960
Charges to net income which did not require funds—		
Depreciation and amortization	$18,285,242	
Deferred Federal income taxes	2,028,000	20,313,242
Net increase in long-term debt		4,921,665
Sales of Common Stock under stock option and employees' stock purchase plans		6,310,298
Total funds provided		81,235,165
Funds Were Applied To:		
Purchases of property		36,608,674
Dividends—		
Consolidated Foods Corporation	$24,750,451	
Acquired companies prior to poolings of interests	1,602,555	26,353,006
Other, net		2,213,387
Total funds applied		65,175,067
Increase in Working Capital		16,060,098
Working Capital at Beginning of Year		233,458,554
Working Capital at end of Year		$249,518,652

GETTY OIL COMPANY
Consolidated Statement of Source and Disposition of Funds

Source	
Income before minority interest and extraordinary items	$124,187,000
Depreciation and depletion	198,786,000
Amortization of undeveloped leases and dry hole costs	35,747,000
Reduction in income taxes otherwise payable	7,915,000
Cash flow from consolidated operations	276,635,000
Decrease in working capital	42,476,000
Property sales and retirements, net, including certain extraordinary items	39,314,000
Increase in deferred income and noncurrent reserves	2,743,000
	$361,168,000
Disposition	
Capital expenditures, including dry hole costs	$270,232,000
Increase (decrease) in investments in subsidiaries and affiliates and long-term receivables	26,375,000
Net reduction of long-term debt	11,052,000
Purchase of preferred stock and common minority interest	38,144,000
Cash dividends paid or declared	
Preferred stockholders	2,247,000
Common stockholders	7,595,000
Minority stockholders of consolidated subsidiaries	5,523,000
	$361,168,000

DART INDUSTRIES INC.
Statement of Source and Application of Funds

Source:	
Net earnings for the year	$44,468,000
Depreciation and amortization	26,652,000
Provision for deferred income taxes	3,800,000
Cash Flow	74,920,000
Sale of properties and investments, excluding gain	1,761,000
Exercise of stock options	5,013,000
Notes payable on land held for development and sale	2,417,000
Discounted rental obligations under certain leases	191,000
Working capital decrease	4,407,000
Other, net	920,000
Total Funds Provided	$89,629,000
Application:	
Properties and other assets purchased	$65,018,000
Properties leased from others	1,202,000
Cash dividends paid by Dart—	
Preferred Stock	5,910,000
Common Stock	5,036,000
Cash dividends paid by pooled companies prior to merger or acquisition	108,000
Land operations—contracts receivable and land held for development	6,420,000
Net reduction of long term debt	4,744,000
Purchase of treasury stock	1,191,000
Total Funds Applied	$89,629,000

OTHER SOURCES AND APPLICATIONS

Opinion No. 3, to which reference was made previously, comments as follows relative to the content of funds statements:

> 10. Types of transactions reflected in the statement of source and application of funds may vary substantially in relative importance from one period to another. As a result, consistency of arrangement of items from period to period and uniformity of arrangement as between reporting enterprises are of less significance than in the case of the balance sheet or income statement. In a statement of source and application of funds it is desirable to disclose and to emphasize the more important financial events of the period covered by the statement. Related items should be shown together when the result contributes to the clarity of the statement, and less important items should be combined. Significant changes in individual current assets and current liabilities should be shown as separate items whenever they are not otherwise adequately disclosed in the financial statements; changes in the other current items may then be combined and shown as a single amount.

Tables 5-7 and 5-8 summarize the frequency of presentation of certain specified items as reported in

TABLE 5-7: CONTENT AND PRESENTATION OF CERTAIN SPECIFIED ITEMS WITHIN "FUNDS" STATEMENT

Presentations	Plant, Property, etc.	Investments in Subsidiaries or Others	Other Specific Assets	Long-term Debt	Treasury Stock	"Miscellaneous," "Other," etc.
Applications and sources shown gross	133	17	22	151	19	16
Sources shown net	9	11	N/C	83	8	97
Only source shown—No indication of net	14	41	113	107	40	75
Applications shown net	225	40	N/C	44	23	122
Only application shown—no indication of net	180	178	249	148	155	98
Total	561*	287*	384*	533*	245*	408*
Number of Companies						
Presenting above captions	546	254	292	497	208	403
Not presenting above captions	2	294	256	51	340	145
Total	548	548	548	548	548	548

N/C—Not compiled.
*Some companies presented such items more than once.

the funds statements of companies in the survey.

Examples illustrating disclosures of this type of information follow, and additional examples are shown in other subheadings of this section.

Property, Plant and Equipment

THE BOHACK CORPORATION
Statement of Consolidated Source and Application of Funds

Funds Provided:	
Net earnings	$1,163,837
Charges against earnings not requiring funds:	
depreciation and amortization	3,509,031
debenture and interest paid in common stock	238,471
Proceeds from sale of property, plant and equipment	329,729
Proceeds from sale of common stock and exercise of stock options	1,129,597
Increase in note and mortgage payable	765,218
Decrease in working capital and other items	2,074,676
	$9,210,559
Funds Used:	
Dividends paid (5½% cumulative preferred stock)	35,433
Additions to property, plant and equipment	3,144,686
Additions to deferred charges and other assets	385,636
Reduction of 5½%-9% notes and mortgages payable:	
payments	3,895,033
transferred to current liabilities	1,620,957
Other	128,814
	$9,210,559

BRENCO INCORPORATED
Consolidated Statement of Sources and Application of Funds

Funds Provided By:	
Net income for the Year	$2,792,575
Provision for Depreciation	1,230,691
Total Funds Provided	$4,023,266
Funds Applied To:	
Property Improvements	27,946
Addition to Plant Buildings	273,556
Purchase of Machinery and Equipment	2,729,916
Purchase of Office Equipment	22,544
Decrease in Deferred Compensation	59,427
Cash Dividends	787,500
Purchase of Treasury Stock	71,696
Increase in Working Capital	50,681
Total Funds Applied	$4,023,266

TABLE 5-8: OTHER ITEMS PRESENTED IN "FUNDS" STATEMENT

	Number of Presentations					
	Sources			Applications		
Items in the Statement	1969	1968	1967	1969	1968	1967
Long-term receivables	16	20	18	30	32	20
Reserves	13	21	13	14	11	10
Noncurrent liabilities	40	34	43	26	30	33
Reserves and "other" noncurrent liabilities	19	16	11	7	11	6
Minority interests	33	32	25	21	2	14
Assets (or assets less long-term liabilities) from corporate acquisition or divestment	11	31	N/C	19	40	17
Intangibles	7	3	N/C	53	41	30
Deferred charges	9	9	N/C	25	36	29
Other items	160	91	48	214	156	27

N/C—Not compiled.

FALSTAFF BREWING CORPORATION
Source and Use of Financial Resources

Resources Were Derived From:	
Net income (loss)	$ 1,612,164
Charges to income which did not require current expenditures of working capital:	
Depreciation and amortization	6,165,056
Provision for deferred Federal income tax	20,000
Write-down of property and loss or gain on disposals (net)	(96,031)
Proceeds from sales of property	547,084
Miscellaneous	564,479
Total	8,812,752
Resources Were Used For:	
Additions to property	3,664,580
Reduction of long-term debt	3,851,100
Payment of dividends	1,799,650
Purchase of common stock for treasury	54,787
Decrease in:	
Liability for container deposits	327,913
Reserve for pensions	115,200
Miscellaneous	377,268
Total	10,190,498
Remainder—Increase (Decrease) in Working Capital	$(1,377,746)

THE NATIONAL CASH REGISTER COMPANY
Summary of Changes in Working Capital

Working capital was provided by:	
Net income for the year	$ 44,115,000
Depreciation:	
Property, plant and equipment	42,208,000
Rental equipment	59,620,000
	101,828,000
Sale of property and rental equipment	6,838,000
Sale of common stock	4,013,000
Proceeds from debentures and mortgages	131,502,000
Increase in minority interests	1,891,000
	290,187,000
Working capital was used for:	
Cash dividends to stockholders	12,665,000
Expenditures for:	
Property, plant and equipment	81,287,000
Rental equipment	123,923,000
	205,210,000
Reduction of long-term debt	11,898,000
Other	4,185,000
	233,958,000
Net increase in working capital	56,229,000
Working capital at beginning of year	391,477,000
Working capital at end of year	$447,706,000

QUAKER STATE OIL REFINING CORPORATION
Statement of Consolidated Source and Application of Funds

Source of funds:	
Net income	$ 9,049,915
Depreciation and depletion	3,801,669
Deferred income taxes	(143,000)
Funds from operations	12,708,584
Proceeds from exercise of stock options	657,901
Total	13,366,485
Application of funds:	
Capital expenditures:	
Production	2,984,464
Refining	2,176,576
Marketing	1,945,371
Transportation	651,753
Non-petroleum operations	290,379
Other	107,282
	8,155,825
Book value of property dispositions	430,234
	7,725,591
Cash dividends paid	4,305,977
Increase in working capital	456,181
Other	878,736
Total	$13,366,485

Investments

CLARK EQUIPMENT COMPANY
Source and Application of Funds

	Amounts in Thousands
Source of Funds:	
Operations:	
Net income for the year	$ 38,605
Deduct—Net income of finance subsidiaries	2,064
	36,541
Provision for depreciation of properties	11,137
Other non-cash charges to income	1,981
Sale of properties	3,956
Addition to long-term debt	23,490
Increase in rental equipment installment obligations less net increase in investment in rental equipment	3,415
Proceeds from sale of stock under option plan	2,364
	82,884
Application of Funds:	
Dividends paid	16,446
Additions to properties	22,492
Investments in and advances to finance subsidiaries and associated companies	3,834
Long-term debt paid or becoming current liability	5,143
Other items	1,061
	48,976
Increase in Working Capital*	$ 33,908
*Accounted for by:	
Increase in current assets:	
Cash	$ (7,766)
Accounts and notes receivable	13,953
Inventories	46,096
Prepaid expenses	(1,031)
	51,252
Less: Increase in current liabilities:	
Notes and accounts payable	6,684
Accrued payrolls, etc.	3,889
Installment obligations to Clark Credit	10
Taxes on income	7,002
Current installments on long-term debt	(241)
	17,344
Increase in working capital, as above	33,908
Working capital at beginning of year	121,377
Working capital at end of year	$155,285

ST. REGIS PAPER COMPANY
Summary of Source and Application of Consolidated Financial Resources

Source:	
Net earnings	$ 41,196,000
Depreciation and depletion	42,041,000
Deferred Federal income taxes	4,500,000
Other non-cash expenses	1,811,000
Total from operations	89,548,000
Issuance of long-term debt	19,876,000
Issuance of preferred shares	14,750,000
Issuance of common treasury shares	168,000
Total	$124,342,000
Application:	
Property and timberland additions, net	$ 51,260,000
Cash dividends	21,614,000
Retirement of long-term debt	14,366,000
Purchase of common shares	1,358,000
Additions to investments:	
Increase in equity in undistributed earnings of non-consolidated affiliates	4,062,000
Other	936,000
Acquisition of the minority stockholder's interest in North Western Pulp & Power Ltd., a consolidated subsidiary	13,986,000
Increase in advance payments under timber purchase contracts	2,239,000
Other, net	5,296,000
Increase in working capital	9,225,000
Total	$124,342,000

UNITED STATES SMELTING REFINING AND MINING COMPANY
Consolidated Statements of Source and Application of Funds

Source:	
Net income	$21,705,707
Amortization of deferred credit	(670,016)
Depreciation, depletion and amortization	3,936,173
Amortization of mine development costs	1,469,512
Provision for deferred federal income taxes	1,873,000
Net proceeds of debt issued	1,000,000
Disposal of capital assets	523,045
Disposal of investments	30,354,580
	60,192,001
Application:	
Additions to properties, plants and equipment	5,414,101
Expenditures for mine development	3,586,610
Investments	46,598,518
Decrease in non-current portion of long-term debt, exclusive of additional debt issued	2,069,625
Purchase of treasury stock	1,529,489
Cash dividends:	
Preferred Stock	981,496
Common Stock	2,333,308
Other, net	2,055,490
	64,568,637
Increase (Decrease) in working capital	$(4,376,636)

ARMOUR AND COMPANY
Consolidated Statement of Changes in Working Capital

	Dollars in Thousands
Additions to working capital	
Earnings before extraordinary items	$ 25,496
Minority interests in net earnings	2,257
Depreciation	16,662
Deferred Federal income taxes	980
Long term obligations and common stock	38,131
Property dispositions and related tax credits	2,846
Sale of certain investments (Note 3)	33,353
	119,725
Uses of working capital	
Expenditures for plant and equipment	32,740
Retirement of long term obligations	30,040
Dividends paid	12,699
Employment separation payments and other plant closing costs, net of tax	32
Purchase of Klarer of Kentucky capital stock, less $2,387 working capital acquired	3,323
Other (net)	6,228
	85,062
Increase (decrease) in working capital	34,663
Working capital beginning of year	243,940
Working capital end of year	$278,603

Note 3 (in part): During the 1969 fiscal year the Company sold for cash, aggregating $33,353,000 (1) its 50% interest in Shellstar Limited, an agricultural chemical company in the United Kingdom (2) its investment in Deltec International Limited common stock, representing securities received by the Company in exchange for IPL inc. common stock as a result of the combination of the business of IPL with that of Deltec Panamerica S.A., and (3) certain other securities. The Company also expects to sell in the relatively near future its interests in certain foreign companies engaged in agricultural chemical or related businesses. Net losses incurred and anticipated on these sales amount to $7,403,000 after Federal income tax reduction of $767,000 and have been reflected as an extraordinary item in the consolidated statement of earnings. Capital loss carry forwards arising from these transactions are approximately $6,700,000.

TRIANGLE INDUSTRIES, INC.
Consolidated Statement of Source and Application of Funds

Source of Funds	
Net income	$ 2,844,199
Depreciation	3,322,650
Investment in and advances to affiliates which became subsidiaries	1,012,953
Provision for write-down of investments in and advances to affiliates	730,709
Adjustment to acquisition cost of subsidiary acquired	241,270
Proceeds from sale of stock to option holders	38,236
Decrease in working capital	2,095,859
	$10,285,876
Application of Funds	
Addition to property plant and equipment net	$ 3,240,598
Dividends declared	2,225,588
Decrease in long-term debt	1,531,121
Investments in and advances to affiliates	1,824,636
Net decrease in deferred income and liabilities	396,170
Treasury stock purchased	47,617
Increase in other receivables	747,838
Other assets	272,308
	$10,285,876

HALLIBURTON COMPANY
Consolidated Source and Use of Funds

Source of Funds	
Net income	$ 54,125,382
Depreciation charged to income	41,598,589
Sales and salvage of retired equipment	2,159,272
Amortization of restricted stock	298,222
Sale of common stock	1,745,073
	$ 99,926,538
Use of Funds	
Acquisitions of property, plant and equipment	$ 68,639,429
Cash dividends paid	18,037,362
Purchase of treasury stock	8,627,180
Reduction of long-term notes	99,628
Investments in and advances to affiliates	21,656,656
Other, net	(53,040)
Working capital increase or (decrease)	(17,080,677)
	$ 99,926,538

Acquisitions

AMK CORPORATION
Statement of Source and Application of Funds

		(in thousands)
Source of Funds		
Net income		$ 32,496
Depreciation ($22,638) and other charges not requiring working capital—net		27,761
Capital and long-term debt issued in connection with acquisition of United:		
Convertible debentures (net of discount of $8,911)	$245,687	
Common stock	175,957	
Warrants	173,361	
Long-term portion of note	15,845	610,850
Rescission of December 31, 1968 investment in United		41,778
Minority interest in United		62,870
		775,755
Application of Funds		
Net non-current assets of United acquired and NRM and a minor division sold at dates of acquisition or sale		223,675
Excess of cost of investments in subsidiaries acquired in 1969 over equity in net assets		366,379
Increase in fixed assets—net*		62,726
Increase in other investments and long-term receivables*		16,178
Dividends		2,858
Other items—net*		634
		672,450
Net increase in working capital		$103,305

*Other than by acquisitions and sales above.

BEMIS COMPANY, INC.
Consolidated Statement of Source and Application of Funds

Funds were Provided by:	
Operations:	
Net income	$ 8,547,339
Charges to income for depreciation and amortization	10,140,401
Minority interest	508,331
Increase (decrease) in other long-term debt	3,323,461
Decrease in investment in affiliates	3,084,547
Sundry (net)	197,094
	25,801,173
Funds were applied to:	
Book value of property, plant and equipment of businesses acquired	5,848,151
Patents and excess of cost over assets acquired	13,351,687
Common stock issued in exchange for businesses acquired	(2,050,812)
Series preferred stock issued in exchange for businesses acquired	(2,000,000)
	15,149,026
Cash dividends declared	4,600,341
Regular additions to property, plant and equipment	18,246,575
Proceeds from disposals	(733,720)
Treasury stock acquired	117,178
First preferred stock acquired	9,540
Increase in deferred charges	4,755,052
Increase in long-term receivables	2,159,178
	44,303,170
Increase (decrease) in working capital	$(18,501,997)

CONTINENTAL CAN COMPANY, INC.
Statement of Consolidated Source and Use of Funds

	In Millions of Dollars	
Source of Funds		
Net earnings for the year	$ 90.4	
Items which did not require the outlay of funds:		
Depreciation and depletion	59.9	
Deferred federal income taxes	9.9	
Increase in reserves	2.0	
Minority interest in net earnings of subsidiary	1.7	
Total funds provided from operations	163.9	
Issuance of common stock in acquisition of subsidiary	24.5	
Disposition of Brockway Glass stock	23.0	
Increase in long term debt	18.5	
Sale of common stock to employees	4.2	
Disposition of property, plant and equipment	10.0	
Total Source		$244.1
Use of Funds		
Capital expenditures for property, plant and equipment	134.4	
Dividends to stockholders	41.7	
Common and Preferred stock reacquired	30.7	
Net assets resulting from acquisition of subsidiary (excluding $12.3 million working capital at date of acquisition)	30.4	
Other	9.1	
Total Use		244.3
Increase (Decrease) in Working Capital		(.2)
Working Capital, as of January 1		220.4
Working Capital, as of December 31		$220.2

PORTEC INC.
Consolidated Statement of Source and Application of Funds

Source of Funds	
Net income for year	$1,784,110
Depreciation and amortization	978,675
Provision for deferred federal taxes on income	128,696
Funds provided from operations	2,891,481
Insurance policy loans, less increase in cash surrender value	284,825
Bank loan	2,400,000
Stock options exercised	16,665
Other	115,548
	$5,708,519
Application of Funds	
Acquisition in 1969 of Electric Products	
Property and equipment	$1,756,901
Other assets	88,075
Deferred credits and long-term liabilities assumed	(314,312)
	1,530,664
Purchases of property, plant and equipment, less minor disposals	1,966,921
Cash dividends paid	1,141,035
Payments on long-term debt	146,818
Advance to wholly owned foreign subsidiary	765,000
Increase (decrease) in working capital	158,081
	$5,708,519

Long-Term Debt

AMERICAN ZINC COMPANY
Consolidated Statement of Source and Application of Funds

	(*In thousands of dollars*)
Funds were provided from:	
Operations—	
Net loss	$(1,861)
Charges against income not requiring current outlays of funds—	
Accrued pension plans expense	375
Depreciation and cost depletion	3,443
Amortization and write-off of deferred mine development and exploration	374
Funds provided from operation	$ 2,331
Proceeds from sale of production payments	5,000
Subordinated notes payable	6,000
Subscription to subordinated notes	2,000
Long-term property purchase obligations incurred	6
Other, net	(49)
Total funds provided	$15,288
Funds were applied to:	
Property additions and improvements, net	$ 1,970
New mine development and exploration programs	719
Liquidation of prior years' production payments	8,597
Reduction of long-term portion of notes payable to banks	4,300
Reduction of long-term portion of property purchase obligations	436
Total funds applied	$16,022
Resulting in an increase (decrease) in working capital of	$ (734)

THE PILLSBURY COMPANY
Consolidated Statement of Changes in Working Capital

Sources of Working Capital:	
Funds derived from operations:	
Net earnings	$14,440,771
Adjust for items which did not affect working capital:	
Depreciation	14,149,667
Other, net	(981,031)
	$27,609,407
Increase in long-term debt:	
4¾% convertible subordinated debentures, net proceeds	19,651,846
Restaurant properties	19,714,643
Other	794,257
Proceeds from disposal of property, plant, and equipment	4,389,744
Miscellaneous	691,508
Total	$72,851,405
Uses of Working Capital	
Additions to property, plant, and equipment:	
Restaurant properties	$21,849,051
Other	19,230,338
Investment in and advances to affiliated companies	4,267,340
Cash dividends declared by The Pillsbury Company	5,955,075
Current maturities and retirement of long-term debt	3,901,022
Miscellaneous	2,120,054
Total	$57,322,880
Increase in Working Capital	$15,528,525

CROWN CENTRAL PETROLEUM CORPORATION
Statement of Consolidated Source and Application of Funds

Source of Funds	
From operations:	
Net income for the year	$ 501,834
Provision for depreciation and depletion	2,471,638
Abandonments and sales of property, plant and equipment—net of proceeds	719,818
Proceeds from sale of property, plant and equipment	345,708
Deferred federal income taxes	71,409
Total from operations	4,110,407
Additional long-term debt:	
Notes payable	22,000,000
Other	1,477,140
Total from long-term debt	23,477,140
	$27,587,547
Application of Funds	
Capital expenditures:	
Additions to property, plant and equipment	$34,821,769
Expenditures for drilling oil and gas wells abandoned and charged to expense	530,422
Total capital expenditures	35,352,191
Reduction in long-term debt	1,686,968
Other	297,302
	37,336,461
Increase (Decrease) in Net Current Assets	(9,748,914)
	$27,587,547

FAIRCHILD HILLER CORPORATION
Consolidated Statement of Source and Application of Funds

Working Capital at Beginning of Year	$37,432,375
Source of Funds:	
Net earnings (loss*)	$13,138,407
Depreciation and amortization	5,266,106
Decrease in deferred charges	222,456
Total from Operations	$18,626,969
Mortgage note payable (net of current portion)	1,207,241
Sales of shares under employee option plans	103,375
Disposal of property, plant and equipment	1,379,965
	$21,317,550
Application of Funds:	
Expenditures for property, plant and equipment	$ 5,874,301
Cash dividends paid	683,633
Payments on mortgage note	414,320
	$ 6,972,254
Increase/Decrease* in Working Capital	$14,345,296
Working Capital at End of Year	$51,777,671

*Deduction

HOLLY SUGAR CORPORATION
Consolidated Source and Use of Funds

Funds Were Provided by:	
Net income	$ 3,673,728
Depreciation	2,721,731
Deferred income taxes	837,000
Proceeds from bank financing	7,500,000
Total Funds Provided	14,732,459
Funds Were Used for:	
Cash dividends	1,895,724
Capital expenditures for modernization	9,574,695
Reduction of long-term debt	675,000
Purchase of treasury stock	4,119,995
Other	1,746,767
Total Funds Used	18,012,181
Decrease in Working Capital	$ 3,279,722

GIDDINGS & LEWIS, INC.
Consolidated Statement of Source and Application of Working Capital

Source of Working Capital:	
From operations:	
Net income	$ 2,748,163
Depreciation	3,307,131
Other charges to income not affecting working capital	281,018
	6,336,312
Proceeds from issuance of 4¾% convertible unsecured loan stock of overseas subsidiary less issue costs	4,603,279
	10,939,591
Application of Working Capital:	
Additions to property, plant and equipment	4,153,101
Payments on long-term debt	1,234,000
Cash dividends paid	2,672,812
Purchase of nonoperating land less long-term portion of mortgage notes thereon of $523,162	434,543
Other	365,677
	8,860,133
Increase (decrease) in working capital	$ 2,079,458

GENERAL MILLS, INC.
Sources and Uses of Working Capital

		(in thousands)
Working Capital Provided By:		
Net Earnings		$ 37,547
Add expenses not requiring cash outlays:		
Depreciation of fixed assets and amortization of intangibles		22,615
Deferred Federal income taxes, etc.		1,134
Total working capital provided from operations		61,296
Increase in long-term debt		22,510
Sale of stock upon exercise of options		1,978
Common stock issued—net of treasury stock acquired		35,854
Other sources		2,474
Total Working Capital Provided		124,112
Working Capital Used For:		
Purchase of businesses—total cash prices		57,025
Less working capital acquired		8,985
Balance		48,040
Consisting of—Fixed assets	$ 4,814	
—Intangible and miscellaneous assets	39,193	
—Long-term debt	(848)	
—Minority interests	4,939	
—Deferred taxes, etc.	(58)	
Additions to plan and equipment less proceeds from sales		30,457
Cash dividends		16,710
Increase in instalment receivables—net		1,750
Increase in investments		7,215
Other uses		1,375
Total Working Capital Used		105,547
Net Increase (Decrease) in Working Capital		18,565
Working Capital at Beginning of Year		98,039
Working Capital at End of Year		$116,604

Capital Stock

BORG-WARNER CORPORATION
Statement of Source and Use of Funds

Source of Funds:	
From operations:	
Net earnings	$ 52,048,033
Charges to income not requiring funds:	
Depreciation	30,813,159
Provision for deferred taxes	1,077,000
Funds provided by operations	83,938,192
Increase in long-term debt	55,985,017
Proceeds from common stock issued under stock option plans	1,882,902
	141,806,111
Use of Funds:	
Dividends declared	24,827,637
Capital expenditures	51,474,586
Purchase of 461,642 common shares for the treasury	13,445,752
Increase in investments and advances (principally unconsolidated subsidiaries)	21,850,668
Net increase in other items	13,356,270
	124,954,913
Increase (decrease) in working capital	$ 16,851,198

EASCO CORPORATION
Consolidated Statement of Source and Application of Funds

Funds were received from the following sources		
Current operations		
Net income	$5,843,000	
Depreciation	2,790,000	
Deferred income taxes (less portion due within one year $338,000)	670,000	$ 9,303,000
Decrease in construction funds held by trustee		2,705,000
Loans and proceeds on cash surrender value of life insurance		815,000
Capital stock issued		
Purchase of 5% minority interest in Moore Drop Forging Company (17,963 preferred shares—Series B issued as partial consideration)	898,000	
Sale of common stock under stock options	443,000	1,341,000
Total funds provided		14,164,000
Funds were used for the following		
Cash dividends to shareholders		2,216,000
Expenditures for new and expanded facilities (gross)		7,026,000
Long-term debt payments		643,000
Purchase of minority interest in subsidiary company		1,013,000
Increase in noncurrent receivables and other assets		522,000
Net assets of newly acquired businesses	1,154,000	
Less: Working capital acquired	479,000	
Properties, less assumed long-term debt of $720,000		675,000
Other transactions, net		37,000
Total funds applied		12,132,000
Working capital		
Increase for year		2,032,000
At beginning of year		41,586,000
At end of year		$43,618,000

THE MACKE COMPANY
Statements of Consolidated Source and Application of Funds

Source:	
Net income	$ 2,340,641
Provision for depreciation and amortization	5,469,783
Provision for deferred income taxes	302,994
Funds provided from operations ("cash flow")	8,113,418
Issuance of Class A Common Stock and Preference Stock for—	
Acquisitions	8,475,146
Conversion of 4⅞% debentures	976,000
Net increase in long-term obligations	1,486,695
Proceeds from stock options exercised	161,190
Other	(160,714)
	$19,051,735
Application:	
Additions to property and equipment, net	$ 9,447,834
Increase in other assets and deferred charges, net	627,231
Increase in cost in excess of net tangible assets acquired	7,186,083
Cash dividends	701,762
	17,962,910
Increase (Decrease) in Working Capital	1,088,825
Working capital, beginning of year	2,531,140
Working Capital, End of Year	$ 3,619,965

NATIONAL DISTILLERS AND CHEMICAL CORPORATION
Consolidated Statement of Changes in Working Capital

Funds were provided by:	
Operations:	
Net income	$ 27,859,000
Items which decreased/increased net income but did not require an outlay of/or provide funds:	
Depreciation	25,878,000
Deferred taxes on income (excluding $6,945,000 credit in 1969 included in extraordinary item)	1,800,000
Share of net earnings of 50-per-cent-owned affiliates	1,396,000
Extraordinary item	8,523,000
Dividends received from 50-per-cent-owned affiliates	1,623,000
Total from operations	64,287,000
Newly issued and treasury common stock used for business acquisitions	15,613,000
Investments and long-term receivables:	
Reduction due to consolidation of companies previously carried as investments	10,750,000
Decrease in other investments and long-term receivables	1,586,000
Long-term debt payable after one year:	
Borrowed by parent company and foreign subsidiaries	48,596,000
Debt of companies acquired	8,307,000
Disposals of property, plant and equipment (excluding $14,460,000 in 1969 included in extraordinary item)	1,390,000
Proceeds received upon exercise of stock options	1,165,000
Other transactions, net	3,184,000
	154,878,000
Funds were used for:	
Property, plant and equipment:	
Expenditures for new and expanded plant facilities	43,100,000
Increase for facilities of acquired companies	17,547,000
Cash dividends	25,169,000
Reduction in long-term debt due after one year	14,238,000
Acquisition of common and preferred stock for treasury or retirement	3,068,000
	103,122,000
Working Capital:	
Increase/decrease for year	51,756,000
At beginning of year	329,513,000
At end of year	$381,269,000

UNIVERSAL LEAF TOBACCO COMPANY, INC.
Source and Disposition of Funds

		(Thousands of Dollars)
Working Capital at June 30, 1968—As Restated		$48,829
Add Working Capital of Subsidiary Added to Consolidation		1,861
		$50,690
Source of Funds:		
Consolidated Net Income – Universal Leaf Tobacco Co., Inc. Equity	$7,827	
Minority Equity	358	
Charges Against Net Income, Not Requiring Current Outlay of Funds: Depreciation	2,790	
Disposition of Plant and Equipment Net of Depreciation	606	
Decrease in Stock of Non-Consolidated Affiliates	83	
Decrease in Other Investments	155	11,819
		$62,509
Disposition of Funds:		
Additions to Plant and Equipment	$2,990	
Preferred Stock Acquired for Treasury	3,170	
Common Stock Acquired for Treasury	2,832	
Dividends to Universal Leaf Tobacco Co., Inc. Shareholders	4,271	
Dividends to Minority Shareholders	211	
Treasury Stock Acquired by Consolidated Subsidiaries	203	
Purchase of Minority Interest in Consolidated Subsidiaries	3,644	
Decrease in Deferred Federal and State Income Taxes	51	
Long-Term Notes Receivable	367	17,739
Working Capital at June 30, 1969		$44,770

Other Assets and Liability Account Transactions

AIR REDUCTION COMPANY, INCORPORATED
Source and Application of Funds

Source of Funds	
From Operations	
Income Before Extraordinary Item	$ 20,326,000
Recovery from Depreciation	27,247,000
Deferred Income Taxes	7,128,000
Total from Operations	54,701,000
Proceeds from Loans	30,845,000
Sale of Stock to Officers and Employees	1,821,000
Other	3,328,000
Total	90,695,000
Application of Funds	
Capital Expenditures	55,300,000
Purchase of Contract Rights to Production and Distribution	5,250,000
Dividends on Common Stock	12,863,000
Reduction in Long-Term Debt	2,490,000
Treasury Shares Purchased	113,000
Total	76,016,000
Increase in Net Working Capital During Period	14,679,000
Net Working Capital at Beginning of Period	138,143,000
Net Working Capital at End of Period	$152,822,000

MOLYBDENUM CORPORATION OF AMERICA
Consolidated Source and Use of Funds

Funds Provided From	
Net income	$ 4,374,860
Amortization, depletion and depreciation	4,813,541
Amortization of debt discount and expense	307,801
Sale of common stock, net of related expense	23,638
Notes payable to banks	8,500,000
Decrease in other current assets, net	2,061,050
Total Funds Provided	$20,080,890
Funds Used For	
Additions to property, plant and equipment—net after disposals	$13,567,533
Repayment of notes to banks, etc.	3,266,497
Dividends paid on convertible preferred stock	502,588
Liquidation of production payment	60,665
Increase in investments	31,727
Increase in other deferred items, net	637,202
Total Funds Used	$18,066,212
Increase-(Decrease) in Cash	$ 2,014,678

THE SUPERIOR OIL COMPANY
Consolidated Source and Disposition of Funds

Source of Funds	
Gross revenues	$125,849,638
Less—Operating costs, general and administrative, rents of undeveloped leases, taxes and interest	51,256,491
Cash flow from operations excluding geological and geophysical expenditures and intangible development costs	$ 74,593,147
Notes payable	10,397,940
Sales of securities	91,919
Sales of property and equipment	800,858
Deferred income	572,510
Natural gas sales subject to refund	11,558,453
Decrease (increase) in working capital.	(1,191,424)
	$ 96,823,403
Disposition of Funds	
Expenditures for	
Geological and geophysical	$ 11,626,058
Intangible development costs	23,600,221
Oil and gas leases	4,933,235
Oil and gas wells and related equipment	12,332,953
Agricultural properties	10,129,869
Other properties and equipment	2,484,105
Cost of treasury stock—58,000 shares	12,122,000
Retirement of notes payable	7,200,000
Redemption of 3¾% debentures	4,170,000
Cash dividends	5,754,280
Increase in current maturities on long-term debt	2,014,074
Miscellaneous	456,608
	$ 96,823,403

CASH FLOW

Certain comments relevant to cash flow analysis were made in *Opinion No. 3* as follows:

6. In recent years a new concept (or more correctly, an old concept with a new name) has become

increasingly important in the analysis of the flow of funds. The term "cash flow" has been used to refer to a variety of concepts, but its most common meaning in financial literature, and to a lesser extent in accounting literature, is the same as "funds derived from operations" in a statement of source and application of funds. It is often defined as "net income plus depreciation," or "net income before deducting depreciation, depletion, amortization, etc." Synonyms which are sometimes used include, "cash earnings," "cash income," and "cash throw-off."

7. Many of the comments made in connection with "cash flow" analysis leave the reader with the erroneous impression that "cash flow" or "cash earnings" is superior to net income as a measure of a company's real earning power. Calculations of the Price/Cash Flow ratio are sometimes made and presented as a substitute for or supplement to the Price/Earnings ratio in evaluating a company's stock. The amount of "cash flow" or the "cash flow per share" has often been presented in the president's letter, the financial review, or the statistical section of the annual report of a corporation apart from or in the absence of a complete statement of source and application of funds in the report. In other words, there has been a growing tendency on the part of some people to single out one of the items on the statement of source and application of funds, thereby implying that this figure is more important than other information regarding the flow of funds and often carrying the implication that "net income plus depreciation" is the best measure of the company's profitability. There is a strong implication running through the comments in the literature, including those in the annual reports of some corporation, that the total "cash flow" can be considered available for the payment of dividends.

The Board concluded:

15. The amount of funds derived from operations cannot be considered as a substitute for or an improvement upon properly determined net income as a measure of results of operations and the consequent effect on financial position. Misleading implications can result from isolated statistics in annual reports of "cash flow" which are not placed in proper perspective to net income figures and to a complete analysis of source and application of funds. "Cash flow" and related terms should not be used in annual reports in such a way that the significance of net income is impaired, and "cash earnings" or other terms with a similar connotation should be avoided. The Board regards computations of "cash flow per share" as misleading since they ignore the impact of cash expenditures for renewal and replacement of facilities and tend to downgrade the significant economic statistic of "earnings per share."

A summary of the references to cash flow made by the companies in the survey is presented in Table 5-9.

TABLE 5-9: REFERENCES TO CASH FLOW

Location of Reference	Number of Companies 1969	1968	1967
President's letter or financial review	73	72	67
Operating summaries or statistics	51	44	37
Highlights	42	43	22
Chart	42	40	35
"Funds" statement	26	20	11
Separate statement	1	2	3
	235*	221**	175***

*Thirty-four companies referred to cash flow in two locations; twenty, in three; thirteen, in four.
**Twenty-three companies referred to cash flow in two locations; twenty-one in three; seven, in four; one, in five.
***Twenty-eight companies referred to cash flow in two locations; ten, in three; one, in four.

Section 6 AUDITORS' REPORT

LOCATION

Table 6-1 indicates the frequency of presentation of the auditors' report in various locations with respect to the financial statements and notes to the financial statements.

TABLE 6-1: LOCATION OF AUDITORS' REPORT IN RELATION TO FINANCIAL STATEMENTS

Location*	Number of Companies		
	1969	1968	1967
A: Follows all financial statements and notes	440	451	450
B: Follows all financial statements, but precedes notes	73	54	47
C: Precedes all financial statements and notes	48	48	46
D: Intermediate position	39	47	57
Total	600	600	600

*Refer to Company Appendix Section—A: 61, 79, 652; B: 8, 706; C: 223, 312; D: 204, 373, 459, 527, 684.

TITLE OF THE AUDITORS' REPORT

Using the CPA Title

In the January 1961 issue of *CPA*, the 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.

Table 6-2 shows that there has been a slight increase in the use of *certified public accountant* in the titles used by the survey companies for their auditors' reports. The term *accountant* is still the most prevalent term, and its use has been increasing. The adjective *independent,* which was used by only 110 companies for 1961, was used by 161 companies for 1969.

The trend to use of *report* or *opinion* continues. While 51 companies used *certificate* for 1961, only 14 used it for 1969. 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.
>
> 44. The Securities Act of 1933 repeatedly speaks of statements "certified" by accountants, and this usage was followed in the regulations of the Securities and Exchange Commission. Before 1933, however, question had been raised as to the propriety and use-

TABLE 6-2: TERMS USED IN TITLE OF AUDITORS' REPORT

Title of Auditor	1969	1968	1967	1965	1961
Accountant	321	319	304	305	271
Auditor	150	151	146	134	158
Certified public accountant	61	59	57	50	39
Public accountant	12	14	14	21	40
No reference, or other	2	3	2	1	4
Total reports with titles	546	546	523	511	512
Independent added	161	160	148	147	110
Title of Report					
Report	360	364	356	291	338
Opinion	165	159	147	193	121
Certificate	14	15	16	25	51
Other	7	8	4	2	2
Total reports with titles	546	546	523	511	512
Reports without titles	54	54	77	89	88
Total	600	600	600	600	600

		1969 References to Report			
1969 Reference to Auditor	Total	Report	Opinion	Certificate	Other Terms
Accountant	207	158	46	3	—
Independent accountant	114	21	93	—	—
Auditor	142	119	9	9	5
Independent auditor	8	7	1	—	—
Certified public accountant	34	30	3	—	1
Independent certified public accountant	27	18	8	1	—
Independent public accountant	12	7	5	—	—
Auditor not referred to	2	—	—	1	1
Total reports with titles	546	360	165	14	7

fulness in this connection of the words to *certify* and *certificate;* it was pointed out that they were misleading to the extent that they conveyed to ordinary readers an impression of greater certainty or accuracy than the statements could possess, or that they represented that the auditor was expressing more than his opinion about the statements. In a letter dated December 21, 1933, the Institute's special committee on cooperation with stock exchanges wrote: "To this end, we think it desirable that the document signed by the accountants should be in the form of a report, as in England, rather than a certificate, and that the words 'in our (my) opinion' should always be embodied therein." But one of the notes to the form recommended with that letter spoke of the "certificate," and other committees have frequently found themselves obliged to use *report* and *certificate* interchangeably. In these circumstances the continued use of both terms can scarcely be avoided, and the important thing is to emphasize the fact that the choice of one term or the other implies no difference of scope or purport, and to make that purport clear. . . .

The combinations used most frequently for 1969 were *accountants' report* by 158 companies, *auditors' report* by 119 companies, and *independent accountants' opinion* by 93 companies.

ADDRESSEE OF THE AUDITORS' REPORT

Table 6-3 summarizes the addressee mentioned in the auditors' reports of the 600 survey companies since 1960. It is of interest to note the steady decline in the number of reports addressed to the "Board of Directors"

TABLE 6-3: ADDRESSEE OF AUDITORS' REPORT

Title of Addressee	1969	1968	1965	1960
The Directors (Board of Directors) and Stockholders (Shareowners)	373	352	310	237
The Directors	112	125	162	224
The Stockholders	89	91	94	104
The Company	22	29	32	32
Other, or no addressee	4	3	2	3
Total	600	600	600	600

as compared with the increase of reports addressed to the "Board of Directors and Stockholders (or Shareholders)."

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 throughout this section.

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 issued *Statements on Auditing Procedure No. 33* in 1963, stating in Chapter 10 that "Because of the weight which the independent auditor's opinion carries with the investing and lending public and the responsibilities he assumes in expressing it, reasonable uniformity in the manner of stating the opinion is important both to the auditor and to those who rely on his findings."

Recommended Short-Form

The present form, or framework upon which each report is built, has been in use since 1948. The generalized short-form independent auditors' report in *Statements in Auditing Procedure No. 33* follows:

> We have examined the balance sheet of X Company as of June 30, 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 June 30, 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.

Modified Short-Form

The modified short-form 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.

> *To the Board of Directors and Stockholders of Bird & Son, Inc.*
>
> In our opinion, the accompanying balance sheet, the related statement of earnings and retained earnings and the statement of source and application of funds present fairly the consolidated financial position of Bird & Son, Inc. and its subsidiary at December 31, 1969, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted ac-

TABLE 6-4: FORMAT OF AUDITORS' REPORT

Format	Number of Companies 1969	1968
Standard Short-form Report		
Standard form (including only slight variations)	201	202
Extra middle sentence in scope paragraph	13	20
Additional last sentence in scope paragraph referring to:		
Prior year examination	146	140
Examination by other accountants	81	77
Matter to which exception is taken	40	41
Other	11	4
Middle paragraph between scope and opinion referring to:		
Examination by other accountants	11	9
Matter to which exception is taken	9	8
Other	8	5
Separate sentence or paragraph following opinion sentence:		
Opinion on source and application of funds	61	69
Other	11	5
Total presentations and modifications of short form	*592	*580
Modified Short-form Report		
Two sentences only—"In our opinion . . . Our examination was made . . ."	83	78
Sentence between "In our opinion . . ." and "Our examination was made . . ."	2	7
Sentence or paragraph following "Our examination was made . . ."	16	15
Total presentations and modifications of modified form	101	100
Number of Reports Using		
Standard version of short-form report	499	502
Modified version of short-form report	101	98
Total	600	600

*Some audit reports had more than one modification.

counting principles applied on a basis consistent with that of the preceding year. Our examination of the 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.—*Opinion of Independent Accountants.*

Table 6-4 summarizes the format of auditors' reports included in the 1969 annual reports of the survey companies. The standard short-form auditors' report was included in the annual reports of 499 companies and the modified short-form auditors' report in 101 annual reports. Of the 499 standard short-form reports, 298 contained additional sentences or paragraphs.

Table 6-5 lists some of the minor wording variations appearing in the auditors' report.

Examples of typical auditors' reports without qualifications are shown below. Examples of auditors' reports which are qualified, or which refer to other statements and schedules are shown in connection with Tables 6-6 to 6-11 inclusive.

Typical Standard Short-Form Reports

To the Stockholders of
Air Reduction Company, Incorporated

We have examined the consolidated balance sheet of Air Reduction Company, Incorporated and subsidiaries as of December 31, 1969 and the related statements of consolidated income, stockholders' equity, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned statements present fairly the financial position of the companies at December 31, 1969 and the results of their operations and the source and application of their funds 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.*

Board of Directors and Shareholders
Evans Products Company

We have examined the accompanying consolidated balance sheet of Evans Products Company and Subsidiaries as of December 31, 1969 and the related statements of earnings, shareholders' investment and source and appli-

TABLE 6-5: MINOR WORDING VARIATIONS FOUND IN AUDITORS' REPORT

	Wording Variation Found in	
Wording Variations Used	Standard Short-Form	Modified Short-Form
We have examined sentence does not specifically mention balance sheet or date of balance sheet	9	1
Accompanying included in opening sentence, but not in opinion paragraph	55	—
Title of balance sheet used in report does not agree with title on statement	8	—
Financial statements substituted for names of statements in opening sentence, but opinion paragraph has titles of statements	41	—
Financial statements substituted for names of statements throughout	7	17
Disclosure of state of incorporation after name of company	41	—
As of in scope paragraph replaced by:		
at	46	—
as at	25	—
Variations of *for the year then ended,* such as *for the fiscal year, for the fifty-two weeks, for the year ended* (date), etc.	65	10
Those or *such* used to replace *these* in *of these statements*	—	4
Other change in *Our examination was made* sentence	—	2
At in *In our opinion* sentence replaced by *as of* or *as at*	88	2
Substitutions for names of statements in *In our opinion* sentence only, such as *above mentioned financial statements, such financial statements, statements identified above, statements referred to above,* etc.	274	—
Reference to notes in general in opinion sentence	10	—
Name of company does not appear in opinion paragraph	9	—
Other wording variations	18	11
Total	696	47

cation of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, present fairly the financial position of Evans Products Company and subsidiaries at December 31, 1969, the results of their operations and the source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Opinion of Independent Accountants.*

Typical Modified Short-Form Report

To the Stockholders and the Board of Directors of American Zinc Company

In our opinion, the accompanying consolidated balance sheet, the related statement of consolidated income and retained earnings, the statement of consolidated capital surplus and the consolidated statement of source and application of funds present fairly the financial position of American Zinc Company and its wholly owned subsidiaries at June 30, 1969, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Accountants' Opinion.*

To the Shareowners of Ingersoll-Rand Company

In our opinion, the accompanying balance sheet and the related statements of income, changes in retained earnings, changes in common stock and capital in excess of par value, and changes in working capital present fairly the financial position of Ingersoll-Rand Company and its consolidated subsidiaries at December 31, 1969 and the results of their operations and supplementary information on working capital for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Accountants.*

EXCEPTIONS TO SCOPE

"GENERALLY ACCEPTED AUDITING STANDARDS"

The following paragraph is taken from Chapter 2 of *Statements on Auditing Procedure No. 33*, previously referred to in this section.

> 1. Auditing standards differ from auditing procedures in that "procedures" relate to acts to be performed, whereas "standards" deal with measures of the quality of the performance of those acts and the objectives to be attained by the use of the procedures undertaken. *Auditing standards* as thus distinct from *auditing procedures* concern themselves not only with the auditor's professional qualities but also with the judgment exercised by him in the performance of his examination and in his report.

None of the auditors' reports of the 600 survey companies qualified the statement that the auditors' "Examination was made in accordance with generally accepted auditing standards."

AUDITING PROCEDURES

The second sentence of the *scope* paragraph of the independent auditors' report is repeated below.

> "Our examination was made in accordance with generally accepted auditing standards, and accordingly include such tests of the accounting records and *such other auditing procedures* as we considered necessary in the circumstances."

Table 6-6 indicates that there were 49 scope exceptions, all related to receivables, noted in 43 auditors' reports. Such exceptions were expressed in compliance with disclosure requirements, stated in *Statements On Auditing Procedure No. 33* and *Statement On Auditing Procedure No. 36,* which have been superseded by *Statement On Auditing Procedure No. 43—Confirmation of Receivables and Observations of Inventories,* issued in September 1970 by the Committee on Auditing Procedure. Examples of scope exceptions expressed in compliance with the requirements of Statements No. 33 and 36, which applied to annual reports included in this survey, follow.

To the Board of Directors of Cutler-Hammer, Inc.

We have examined the consolidated balance sheet of Cutler-Hammer, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1969, and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were unable to obtain confirmation of receivables from the United States Government; however, we have applied other auditing procedures as to such receivables.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Cutler-Hammer, Inc. and subsidiaries as of December 31, 1969, and the results of their operations and the source and application of funds 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.*

Board of Directors and Stockholders
Extendicare, Inc.

We have examined the consolidated balance sheet of Extendicare, Inc. and subsidiaries as of August 31, 1969 and the related consolidated statements of income, stockholders' equity and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm receivables from certain governmental welfare agencies or their fiscal intermediaries, but we satisfied ourselves as to these amounts by other auditing procedures.

In our opinion, the statements mentioned above present fairly the financial position of Extendicare, Inc. and subsidiaries at August 31, 1969 and the results of their operations, changes in stockholders' equity and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the restated preceding year.—*Accountants' Opinion.*

To the Shareholders,
Hat Corporation of America

We have examined the Consolidated Balance Sheet of Hat Corporation of America and subsidiary companies as at October 31, 1969, the related Consolidated Statement of Income and Earned Surplus and the supplemental Consolidated Statement of Changes in 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. We were unable to obtain confirmation of the receivable from Botany Industries, Inc., as set forth in Note 1; however, we have satisfied ourselves by other procedures. In our opinion, subject to the effect, if any, of the arbitration proceedings commented on in Note 1, the accompanying Consolidated Balance Sheet and Consolidated Statement of Income and Earned Surplus presented fairly the consolidated financial position of Hat Corporation of America and subsidiary companies at October 31, 1969 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, and the accompanying Consolidated Statement of Changes in Working Capital for the year ended October 31, 1969 presents fairly the supplemental information shown therein.—*Accountants' Report.*

Note 1—On November 17, 1969, Botany Industries, Inc. ("Botany") instituted arbitration proceedings before the American Arbitration Association asserting claims aggregating $1,996,000 in connection with Botany's purchase in 1968 of certain assets and business of Fashion Park, Inc. (a former subsidiary of the Company). In the opinion of Company's management and its counsel, the claims of Botany are without merit, with the possible exception of an immaterial portion of such claims for which the Company believes adequate provision has been made in the accompanying financial statements.

As at October 31, 1969, the unpaid balance of the purchase price amounted to $2,798,000 (including the $1,065,000 notes referred to in Note H), and is due by its terms as follows: $533,000 on March 1, 1970; $532,000 on March 1, 1971; $500,000 on March 1, 1972; $1,233,000 in 120 constant monthly installments commenced April 1, 1968. All payments required to be made through December 29, 1969 have been made. Botany has advised the Company's auditors that it is unable to answer the request for confirmation of the balances as at October 31, 1969 because of the pendency of the arbitration proceedings. Botany did confirm its indebtedness to the Company's auditors in connection with their examination for the year ended October 31, 1968.

Statement No. 43, previously referred to, states in part:

1. By vote of the Institute's membership in 1939 confirmation of receivables and observation of inventories were adopted as "generally accepted auditing procedures." The Committee reaffirms the importance of these well-established auditing procedures and emphasizes that the independent auditor who issues an opinion when he has not employed them must bear in mind that he has the burden of justifying the opinion expressed.

. . . .

14. The report entitled "Extensions of Auditing Procedure" and subsequent statements of the Committee on Auditing Procedure have required disclosure in the independent auditor's report of omission of confirmation of receivables or observation of inventories included in the latest balance sheet, even though the auditor satisfied himself by the application of other auditing procedures and issues an unqualified opinion. The Committee has reconsidered the desirability of that reporting requirement, which singles out two customary auditing procedures for special reporting treatment to the exclusion of other customary procedures.

15. The Committee believes that if the independent auditor has been unable to apply the customary auditing procedures of confirming receivables or observing inventories because it was impracticable[6] or impossible to do so but nevertheless has satisfied himself by means of other auditing procedures,[7] it is unlikely that disclosure of that fact in the auditor's report has any significance to the reader. Further, there is a possibility that the disclosure may be misinterpreted by the reader to be a qualification of the auditor's opinion.

[6] In auditing impracticable means "not capable of being done with the available means or with reason or prudence."

[7] As used in paragraphs 15 and 16, "other auditing procedures" with respect to inventories requires observation or some physical counts as specified in paragraph 12 herein.

16. The Committee, therefore, has concluded that if the independent auditor has been unable to confirm receivables or observe the client's taking of physical inventories solely because it was impracticable or impossible to do so but has satisfied himself as to receivables or inventories by means of other auditing procedures, no comment need be made in his report, although he may wish to disclose the circumstances of the engagement and describe the other procedures. The auditor should consider carefully his decision that confirmation of receivables or observation of inventories is impracticable or impossible.

17. When the independent auditor is unable to satisfy himself by the application of other auditing procedures, depending on the degree of materiality of the amounts involved, he should indicate clearly in the scope paragraph (or in a middle paragraph) the limitations on his work and either qualify his opinion on the financial statements taken as a whole or disclaim an opinion on them.

18. If either confirmation of receivables or observation of inventories is omitted because of a restriction imposed by the client, and such inventories or receivables are material, the auditor should indicate clearly in the scope paragraph (or in a middle paragraph) the limitations on his work and, generally, should disclaim an opinion on the financial statements taken as a whole.

19. The omission of these procedures at the beginning of the year is not required to be disclosed in situations where the independent auditor has satisfied himself by means of other auditing procedures. Nevertheless ,he may wish to disclose the circumstances of the engagement and briefly describe the other procedures.

20. If the independent auditor has not satisfied himself by means of other auditing procedures with respect to opening inventories, he should either disclaim an opinion on the statement of income or qualify his opinion thereon, depending on the degree of materiality of the amounts involved. An illustration of such a disclaimer follows:

(Scope paragraph)

We have examined the balance sheet of X Company as of September 30, 1970, and the related 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, except as stated in the following paragraph.

TABLE 6-6: EXCEPTIONS TO SCOPE

Auditing Procedure Omitted for	1969	1968	1965	1960
Receivables not confirmed				
Due from U.S. Government	36	39	38	43
Due from others	13	7	9	6
Other procedures omitted	—	1	—	4
Total omissions	49	47	47	53
Number of Companies				
Referring to omission of procedures	43	46	41	49
Not referring to omission	557	554	559	551
	600	600	600	600
Reference to Omission*				
First part of sentence:				
A: "It was *not practicable (impracticable)* to . . ."	34	32		
"We were *unable* to . . ."	12	7		
Other explanations	3	7		
Total	49	46		
Second part of sentence:				
B: "We *satisfied* ourselves . . . other auditing procedures"	40	37		
"We *carried* out . . . other auditing procedures"	9	8		
Other descriptions	—	1		
	49	46		

*See Company Appendix Section—A: 83, 293, 623; B: 284, 353, 704.

(Middle Paragraph)

Because we were not engaged as auditors until after September 30, 1969, we were not present to observe the physical inventory taken at that date and we have not satisfied ourselves by means of other procedures concerning inventory quantities. The amount of the inventory at September 30, 1969 enters materially into the determination of the results of operations for the year ended September 30, 1970. Therefore, we do not express an opinion on the accompanying statements of income and retained earnings for the year ended September 30, 1970.

(Opinion Paragraph)

In our opinion, the accompanying balance sheet presents fairly the financial position of X Company at September 30, 1970, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

REFERENCE TO OTHER AUDITORS

The following excerpts have been taken from Chapter 10, "Expression of Opinion," of *Statements on Auditing Procedure No. 33,* published in 1963 by the committee on auditing procedure of the American Institute of Certified Public Accountants.

32. In reporting on financial statements, the independent auditor may not have examined the financial statements of one or more subsidiaries, divisions, or 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. Such utilization is considered reasonable in these circumstances (and in accordance with generally accepted auditing standards) and 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.

33. Before he utilizes the report of another independent auditor for this purpose, the principal auditor should make such inquiries or adopt such measures as, in his judgment, are appropriate to satisfy himself as to the independence and professional reputation of the other auditor. If the other independent auditor's primary place of practice is outside of the United States, the principal auditor should also satisfy himself that the other auditor is familiar with, and will report in accordance with, auditing standards and accounting principles generally accepted in the United States. He should also take whatever action he deems essential to assure the co-ordination of his activities with those of the other independent auditor to achieve a proper review of the matters affecting consolidation of the financial statements, such as arrangements for evaluating the company's elimination of intercompany transactions, uniformity of accounting practices, etc. In some cases he may need to issue instructions to, or make periodic visits with, the other independent auditor. Despite the foregoing, the other independent auditor remains responsible for the performance of his own work and for his opinion, and the principal auditor assumes no responsibility in this connection except for the matters heretofore discussed in this paragraph.

34. The following language is considerd appropriate where the principal auditor is utilizing the reports of other independent auditors:

> We have examined the consolidated balance sheet of X Company and subsidiaries as of November 30, 19— and the consolidated statements of income and retained earnings for the year then ended. Our examinaiton was made in accordance with generally 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 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. If the principal auditor is unwilling to utilize the report of the other independent auditor in these cases, he should appropriately qualify or disclaim his opinion on the fair presentation of the consolidated financial statements (disclosing the percentages of consolidated assets and revenues which are qualified†) and give his reasons. The use of "except for" is recommended when the intention is to qualify the opinion.

*The auditor may prefer to modify the introductory sentence to the effect that he has not examined the financial statements of B Company.

†There is no need to make this disclosure if a qualification is not intended. Some independent auditors may, however, prefer to make this disclosure in all cases.

36. 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. This would usually be the case when:

(a) the principal auditor has engaged the other auditor as his agent; or

(b) The other independent auditor is an affiliated or correspondent firm whose work is usually accepted by the principal auditor; or

(c) The principal auditor has made sufficient review of the other auditor's work to justify accepting full responsibility; or

(d) The amounts are immaterial.

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.

Table 6-7 indicates the methods used in referring to other auditors and their respective frequencies.

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 36 quoted above did not make any reference to such work.

TABLE 6-7: REFERENCE TO OTHER AUDITORS

Manner of Reference*	1969	1968	1967
A: Adopting the *opinion* paragraphs referred to in par. 34 above	67	64	58
B: Adopting the *scope* paragraph referred to in par. 34 above	23	25	24
Reference to other auditors does not include specific statement that opinion is based on their report	2	5	6
C: Reference to examination by other auditors of prior year statements	7	8	4
Number of Companies			
Auditors' opinion refers to other auditors	99	102	92
No reference to other auditors	501	498	508
Total	600	600	600
Examination by Other Auditors Covers:			
Current year statements for branch or consolidated subsidiary	72	81	77
Current year statements for unconsolidated subsidiary or affiliate only	17	12	10
Prior year statements only	10	9	5
Total	99	102	92

*See Company Appendix Section—A: 285, 311, 577; B: 177, 443, 628; C: 221, 607.

Of the 600 auditors' reports in the survey, 99 contained references to other auditors in connection with their examination of the accounts. As in prior years, reference to other auditors occurred most frequently in connection with the examination of the accounts of consolidated subsidiary companies and of companies recently merged. Approximately two-thirds of the auditors' reports disclosing branches or subsidiaries examined by other auditors use the alternative opinion form, rather than the scope alone form of disclosure.

Examples of references to the work of other auditors are shown below.

Report of Other Auditors Presented

To the Board of Directors and Shareholders of AMK Corporation

We have examined the consolidated balance sheet of AMK Corporation and its subsidiaries as of December 31, 1969, the related consolidated statement of income and income retained in the business and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of United Fruit Company (a consolidated subsidiary acquired during 1969) which represent approximately 45% and 39%, respectively, of consolidated assets and sales. These statements, included elsewhere in this Annual Report, were examined by other independent accountants whose report thereon has been furnished to us.

The cost of AMK Corporation's investment in United Fruit Company amounting to $630,708,000 exceeds AMK Corporation's interest in the net assets of United Fruit Company as shown in its accounts by $344,446,000. As explained in Note 1 to the financial statements, AMK Corporation has undertaken a study to allocate the recorded amount of its investment to the specific assets acquired and liabilities assumed. This study, representing a major undertaking, was commenced in 1969 and is not expected to be completed before late 1970. Until this study is complete the Company cannot determine what effect such an allocation might have on the accompanying financial statements.

The Company received a notice on May 4, 1970 from the Federal Trade Commission to the effect that the Commission has decided to institute a proceeding to compel AMK Corporation to divest itself of its ownership of the stock of United Fruit Company as further described in Note 14.

In early 1970 the Company announced the closing of certain plants. While the ultimate amount of costs and expenses associated with these plant closings cannot be determined at this time, as explained in Note 7 to the financial statements the Company has made provision at December 31, 1969 for its present best estimate of such costs.

In our opinion, based on our examination and the report of other independent accountants referred to above, and (a) subject to the possible effect of the ultimate allocation of the $630,708,000 cost of AMK Corporation's investment in United Fruit Company, (b) subject to the effect, if any, of the Federal Trade Commission proceedings as referred to above and (c) subject to the effect of any adjustments that may result from the ultimate determination of the plant closing costs mentioned above, the accompanying financial statements present fairly the consolidated financial position of AMK Corporation and its subsidiaries at December 31, 1969, the results of their operations and the supplementary information on funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Opinion of Independent Accountants.*

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, 1969 and the related statement of earnings and retained earnings and the statement of source and use 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.

In our opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of United Fruit Company and subsidiaries at December 31, 1969 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (of which we approve) in accounting for severance and other social benefits described in Note 3 of notes to the consolidated financial statements, have been applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and use of working capital for the year ended December 31, 1969 presents fairly the information shown therein—*Auditors' Report.*

February 13, 1970 (except as to notes 15 and 17, the date of which is May 4, 1970).

To the Board of Directors and Stockholders of
Amerada Hess Corporation

We have examined the consolidated balance sheet of Amerada Hess Corporation and its consolidated subsidiaries (excluding the Hess Oil & Chemical Division and its consolidated subsidiaries) as of December 31, 1969 and the related statements of consolidated income, consolidated retained earnings, consolidated changes in capital stock and capital in excess of par value, and consolidated source and disposition of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to the Libyan operations of Amerada Petroleum Corporation of Libya, we were furnished with the report of other independent public accountants on their examination of the financial statements covering such operations for the year.

In our opinion, based on our examination and the report of other independent public accountants referred to above, the above-mentioned financial statements (not presented separately herein) present fairly the financial position of Amerada Hess Corporation and its consolidated subsidiaries (excluding the Hess Oil & Chemical Division and its consolidated subsidiaries) at December 31, 1969 and the results of their operations and the source and disposition of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying financial statements of Amerada Hess Corporation and consolidated subsidiaries present the consolidation of the above-mentioned financial statements with those of the Hess Oil & Chemical Division and its subsidiaries examined by . . . whose opinion appears below. The total assets of the Hess Oil & Chemical Division and its subsidiaries included in such consolidated financial statements approximate 47% of the consolidated total, and their net income for the year ended December 31, 1969 is approximately 32% of the consolidated net income. We have checked the compilation of such accompanying consolidated financial statements and notes and, in our opinion, such statements and notes have been properly compiled.

Board of Directors and Stockholders of
Amerada Hess Corporation

We have examined the consolidated financial statements (not shown separately herein) of Hess Oil & Chemical Division (including its subsidiary companies) of Amerada Hess Corporation for the year ended December 31, 1969. Until June 20, 1969 this Division operated as Hess Oil & Chemical Corporation and subsidiaries. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of Hess Oil & Chemical Division (including its subsidiary companies) of Amerada Hess Corporation at December 31, 1969 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Opinions.*

Auditor States in Opinion Sentence that Report is Based on Report of Other Auditors

To the Board of Directors and Shareholders of
American Home Products Corporation:

We have examined the consolidated balance sheet of American Home Products Corporation (a Delaware corporation) and Subsidiaries as of December 31, 1969, and the related consolidated statements of income, retained earnings, capital surplus and change in 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. The financial statements of certain foreign subsidiaries and certain foreign branches of domestic subsidiaries were examined by other auditors and we were furnished with their reports on such financial statements. The financial statements for 1968, which are presented for comparative purposes, were examined and reported on by other public accountants.

In our opinion, based upon our examination and the reports of other auditors referred to above, the consolidated financial statements referred to above present fairly the financial position of American Home Products Corporation and Subsidiaries as of December 31, 1969, and the results of their operations and change in 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.—*Independent Auditors' Report.*

The Board of Directors and Shareowners
Atlas Chemical Industries, Inc.

We have examined the consolidated balance sheet of Atlas Chemical Industries, Inc. and subsidiaries as of December 31, 1969 and the related statement of earnings and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of certain 50%-owned companies and foreign subsidiaries have been examined by other independent public accountants and we have been furnished with their reports.

In our opinion, based on our examination and on the reports of other independent public accountants referred to above, the accompanying consolidated balance sheet and statement of consolidated earnings present fairly the financial position of Atlas Chemical Industries, Inc. and subsidiaries at December 31, 1969 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 consolidated statement of source and application of funds for the year ended December 31, 1969 presents fairly the information shown therein.—*Accountants' Report.*

To the Board of Directors and Stockholders of
Inland Steel Company

In our opinion, based on our examination and the report mentioned below of other independent accountants, the accompanying statements on pages 24 to 29 present fairly the consolidated financial position of Inland Steel Company and its subsidiary companies at December 31, 1969 and December 31, 1968, the results of their operations, and the supplementary information on funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent 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. We did not examine the consolidated financial statements of Scholz Homes, Inc. and its subsidiaries, which statements were examined by other independent accountants whose report thereon has been furnished to us.—*Opinion of Independent Accountants.*

The Board of Directors
International Milling Company Inc.

We have examined the consolidated balance sheet of International Milling Company Inc. and subsidiaries as of February 28, 1969 and the related statements of earnings and retained earnings and the statement of changes in 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. The financial statement of the Venezuelan subsidiaries, which are included and are of significance in the consolidated statements, were examined by other independent public accountants whose reports have been furnished to us.

In our opinion, based on our examination and the reports of other independent public accountants, the accompanying consolidated financial statements present fairly the financial position of International Milling Company Inc. and subsidiaries at February 28, 1969 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 statement of changes in consolidated working capital for the year ended February 28, 1969 presents fairly the information shown therein.—*Accountants' Report.*

Kimberly-Clark Corporation,
its Directors and Stockholders

We have examined the consolidated balance sheet of Kimberly-Clark Corporation and subsidiaries as of December 31, 1969 and the related statements of consolidated income and retained earnings and of consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Kimberly-Clark de Mexico, S.A. and Spruce Falls Power and Paper Company, Limited, but we were furnished with reports of other accountants on their examinations of the financial statements of those two companies.

In our opinion, based on our examination and the reports of other accountants referred to above, the accompanying consolidated balance sheet and statement of consolidated income and retained earnings present fairly the financial position of the companies at December 31, 1969 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 period; and the accompanying statement of consolidated source and application of funds presents fairly the information shown therein.—*Accountants' Opinion.*

To the Shareholders,
National Tea Co.:

We have examined the consolidated balance sheet of National Tea Co. (an Illinois corporation indirectly 55% owned by Loblaw Groceterias Co., Limited) and subsidiaries as of March 29, 1969, and the related statements of consolidated income, retained earnings, paid-in capital and source and disposition of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Loblaw Inc. and subsidiaries whose assets represent approximately 20% of the total consolidated assets were examined by other auditors and we were furnished with their report on such consolidated financial statements.

In our opinion, based upon our examination and the report of other auditors referred to above, the accompanying consolidated financial statements referred to above present fairly the financial position of National Tea Co. and subsidiaries as of March 29, 1969, and the results of their operations and the source and disposition of funds for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.—*Auditors' Report.*

The Board of Directors and Stockholders
Neptune Meter Company:

We have examined the consolidated statement of financial position of Neptune Meter Company and subsidiaries as of December 31, 1969 and the related statement of income and accumulated earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. With respect to one subsidiary, whose assets represent approximately 8% of the consolidated total assets, we have reviewed the report of other independent accountants.

In our opinion, based on our examination and on the report of other accountants, the accompanying financial statements present fairly the financial position of Neptune Meter Company and subsidiaries at December 31, 1969 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, the statement of source and application of funds for the year ended December 31, 1969, which we examined, presents fairly the information set forth therein.—*Accountants' Report.*

To the Shareholders and the Board of Directors of
Stewart-Warner Corporation

We have examined the consolidated statement of financial position of Stewart-Warner Corporation (a Virginia corporation) and subsidiary companies as of December 31, 1969, and the related consolidated statements of income, retained earnings, and funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain confirmation of receivables from government agencies; however, we have applied other auditing procedures with respect to such receivables. We have previously examined and reported on the consolidated financial statements for the preceding year.

We did not examine the consolidated financial statements of Thor Power Tool Company (summarized in Note 5), the investment in which represents approximately 10% of the assets of Stewart-Warner, but we were furnished with the report of other auditors thereon. The opinion of the other auditors, discussed in Note 5, was qualified as being subject to the ultimate adjustments arising from the disposition of Thor's inventories, and subject to the final outcome of the pending litigation and the assessment of additional Federal income taxes. However, in our opinion, the effect of these matters is not material in relation to Stewart-Warner's consolidated financial statements.

In our opinion, based upon our examination and the report of other auditors, the accompanying consolidated financial statements present fairly the financial position of Stewart-Warner Corporation and subsidiary companies as of December 31, 1969, and the results of their operations and the source and disposition of funds 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.*

Notes to the Consolidated Financial Statements:

Note 5: Throughout 1969 Stewart-Warner owned 81% of the outstanding shares of Thor Power Tool Company, compared to an average of approximately 69% for 1968. The only additional investment by Stewart-Warner in 1969 was the purchase of $125,000 principal amount of Thor Power Tool Company's 4⅞% convertible subordinated debentures at discounts from face value. At the year-end, the total investment, consisting of 589,532 shares of Thor's capital stock and $1,387,000 principal amount of Thor's 4⅞% convertible subordinated debentures, net of Stewart-Warner's share in Thor's earnings since December 31, 1965, aggregated $11,855,185.

Following are a Summary of Financial Position as of December 31, 1969 and 1968 and a Summary of Income for the years then ended, for Thor Power Tool Company and subsidiary companies, as reported by Thor:

Summary of Financial Position

	December 31, 1969	December 31, 1968
Current Assets	$12,089,230	$12,413,609
Current Liabilities	5,527,204	4,062,426
Working Capital	$ 6,562,026	$ 8,351,183
Other Assets	1,518,706	1,530,728
Property (net)	4,770,192	5,078,585
Total	$12,850,924	$14,960,496
Long-Term Debt	$ 5,150,000	$ 5,150,000
Other Liabilities	3,444,133	3,384,409
Total Long-term Liabilities	$ 8,594,133	$ 8,884,409
Shareholders' Equity	$ 4,256,791	$ 6,076,087

Summary of Income

	Year 1969	Year 1968
Net Sales	$21,489,771	$22,048,416
Loss before Taxes	$ 982,016	$ 283,654
Income Taxes	437,280	396,583
Loss before extraordinary charge	$ 1,419,296	$ 680,237
Extraordinary charge	400,000*	—
Net Loss for the Year	$ 1,819,296	$ 680,237

*The extraordinary charge, recorded at year-end, is to provide a reserve against losses and costs expected to arise from the discontinuance of certain unprofitable operations.

Stewart-Warner's share, $787,000, of the tax benefit available by including Thor Power Tool Company in a consolidated tax return for 1969 has been reflected as a reduction of its "Share in loss of Thor Power Tool Company" for 1969.

During 1965, two lawsuits were filed against Thor and several other defendants asserting claims based upon the conduct of the business by the previous management. Thor has been advised by legal counsel that it is not possible to forecast the outcome of this litigation or the ultimate effect on Thor's financial condition because of many unsettled legal issues and uncertainties about the facts. However, Thor has also been advised by legal counsel that Thor's cross-claim against its former independent public accountants has merit and that if Thor should be held liable in this litigation, it should prevail in its cross-claim for the amount of its liability.

It has been Thor's practice to evaluate inventories based on anticipated future requirements as reflected by its marketing plans. Following this policy, inventories of $6,454,362 at December 31, 1969 are stated net of reserves of $2,189,651 for excess, obsolete and damaged inventories.

The Internal Revenue Service has issued a statutory notice of tax deficiency to Thor covering the years 1962 through 1965. The deficiency, amounting to $605,700 plus interest, relates primarily to excess inventories. Thor believes that the deductions were proper and has filed a petition in the Tax Court of the United States to contest this determination.

Thor's auditors have qualified their opinion on Thor's consolidated financial statements as being subject to the effect of the ultimate adjustments arising from the disposition of the inventories and the final outcome of the pending litigation and the assessments of additional Federal income taxes.

In the opinion of Stewart-Warner's management, the matters discussed above will not materially affect Stewart-Warner's consolidated financial statements.

To the Stockholders,
Curtiss-Wright Corporation

We have examined the consolidated balance sheet of Curtiss-Wright Corporation and subsidiaries as of December 31, 1969 and the related consolidated statements of earnings, retained earnings, capital surplus and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It is not the general practice of the United States Government and certain companies to confirm accounts receivable; in the absence of such confirmation, we satisfied ourselves as to these amounts by means of other audit procedures. We previously examined and reported upon the Corporation's consolidated financial statements for the year 1968, which have been restated as described in Notes 1 and 3 to the financial statements. We did not examine the consolidated financial statements of Dorr-Oliver Incorporated and subsidiaries for the two years ended December 31, 1969, 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 Dorr-Oliver Incorporated and subsidiaries is based solely on such reports.

In our opinion, the financial statements mentioned above present fairly the consolidated financial position of Curtiss-Wright Corporation and Subsidiaries at December 31, 1969 and 1968, and the results of their operations and source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

Auditor States in Scope Paragraph that Opinion is Based on Report of Other Auditors

To the Board of Directors and Shareowners of
Barton Distilling Company

We have examined the consolidated balance sheet of Barton Distilling Company (a Delaware corporation) and consolidated subsidiaries as of June 30, 1969, and the related statements of consolidated income, retained earnings, additional paid-in capital, and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the preceding year. We did not examine the financial statements of one consolidated subsidiary and certain foreign affiliates, but we reviewed the reports on the examinations of their statements by other independent public accountants. Our opinion expressed herein is based upon our examination and upon the aforementioned reports of other public accountants.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Barton Distilling Company and consolidated subsidiaries as of June 30, 1969 and 1968 and the consolidated results of their operations and source and use of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

To the Board of Directors and Shareowners of
Simmons Company

We have examined the consolidated balance sheet of Simmons Company and subsidiaries as of December 31, 1969 and the related statement of income and retained earnings and the statement of source and use 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. We did not examine the financial statements of foreign and certain domestic 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. We previously made a similar examination and reported upon the 1968 consolidated financial statements of the Company.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Simmons Company and subsidiaries at December 31, 1969 and 1968 and the results of their operations and the source and use of working capital for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Certified Public Accountants.*

To the Stockholders and Board of Directors of
The Sperry and Hutchinson Company

We have examined the balance sheet of The Sperry and Hutchinson Company as of January 3, 1970, the related statements of earnings, changes in stockholders' equity, and source and application of funds for the fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Bigelow-Sanford, Inc. and The State National Bank of Connecticut as of December 31, 1969, and for the year then ended, such statements having been examined by other independent public accountants whose unqualified reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for Bigelow-Sanford, Inc. and The State National Bank of Connecticut, is based solely upon such reports.

In our opinion, the statements of The Sperry and Hutchinson Company identified above present fairly the financial position of The Sperry and Hutchinson Company at January 3, 1970, the results of its operations and the source and application of its funds for the fifty-three weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Independent Certified Public Accountants.*

EXPRESSION OF OPINION

The following excerpts, concerning qualifications and disclaimers, are taken from Chapter 10 of *Statements on Auditing Procedure No. 33* (1963) issued by the Committee on Auditing Procedure of the American Institute of Certified Public Accountants:

1. The fourth standard of reporting reads:
The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an over-all opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

2. 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. In considering the degree of responsibility he is assuming, the auditor must bear in mind that justification for the expression of his opinion, whether qualified or unqualified, rests on the degree to which the scope of his examination conforms with generally accepted auditing standards.

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," this standard does not preclude the expression of separate opinions on financial position and results of operations. The independent auditor may 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. . . .

9. When a qualified opinion is intended by the independent auditor, the opinion paragraph of the standard short-form report should be modified in a way that makes clear the nature of the qualification. It should refer specifically to the subject of the qualification and should give a clear explanation of the reasons for the qualification and of the effect on financial position and results of operations, if reasonably determinable. Reference in the opinion paragraph to a note to the financial statements or to a preceding paragraph in the report that describes the circumstances is an acceptable method of clarifying the nature of a qualification. However, a qualification based upon the scope of the examination ordinarily should be covered entirely in the independent auditor's report. When a qualification is so material as to negate an expression of opinion as to the fairness of the financial statements as a whole, either a disclaimer of opinion or an adverse opinion is required.

10. The use of phrases that include either "except" or "exception" in qualified opinions on financial statements is recommended. However, in certain cases where the outcome of a matter is uncertain the phrase "subject to" may be appropriate. . . .

11. Any modifying phrases in the standard short-form opinion paragraph (or sentence) should be considered as qualifying the opinion in some manner; . . .

14. When he has not obtained sufficient competent evidential matter to form an opinion on the fairness of presentation of the financial statements as a whole, the independent auditor should state in his report that he is unable to express an opinion on such statements. The necessity of disclaiming an opinion may arise either from a serious limitation on the scope of examination or from the existence of unusual uncertainties concerning the amount of an item or the outcome of a matter materially affecting financial position or results of operations, causing the independent auditor not to be able to form an opinion on the financial statements as a whole.

. . . .

16. Whenever the independent auditor disclaims an opinion, he should give *all* substantive reasons for doing so. . . .

Table 6-8 reveals that 90 auditors' reports were

TABLE 6-8: AUDITORS' OPINION QUALIFIED

Reason for Qualification	1969	1968	1965	1960
Qualification as to Fair Presentation:				
Litigation	16	8	5	15
Valuation or realization of assets	16	5	N/C	N/C
Tax and renegotiation liabilities	9	6	6	7
Claims in connection with sales contracts	4	11	N/C	N/C
Other	10	9	2	2
Subtotal	55	39	13	24
Changes in Consistent Application of Generally Accepted Principles of Accounting	59	58	39	54
Total	114	97	52	78
Number of Auditors' Reports Containing				
An unqualified expression of opinion	510	513	549	532
A qualified expression of opinion	90	86	50	68
Disclaimer of opinion	—	1	1	—
Total	600	600	600	600

N/C—Not compiled.

qualified as to 114 matters. Fifty-five of the 114 qualifications were qualifications as to fair presentation and 59 were qualifications as to consistency.

QUALIFICATIONS AS TO FAIR PRESENTATION

Statements on Auditing Procedure No. 33 (1963), previously mentioned, contains the following statement regarding "Unusual Uncertainties" affecting financial position and results of operations:

> 45. 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. . . .
>
> 46. 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. . . .

Examples of qualified opinions, along with an example of a disclaimer rendered on the 1969 financial statements of a company not included in the current survey, are shown on the following pages.

Disclaimer of an Opinion

To the Directors and Stockholders of
National Radio Company, Inc.

We have examined the accompanying consolidated balance sheet of National Radio Company, Inc. and subsidiaries as of December 31, 1969, and the related consolidated statements of operations, of deficit, of capital in excess of par value, and of changes in 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. We did not request confirmation of accounts receivable from government agencies and therefore used alternative auditing procedures.

The accompanying financial statements are subject to the outcome of the following matters, the ultimate resolution of which cannot be determined at this time:

a) The recoverability of assets aggregating $2,031,784 relating to audio-visual theatres (Note 2);

b) The timing of the recoverability of certain of the current assets relating to audio-visual theatres (Note 2);

c) The recoverability of contract costs of $1,619,740 included in contracts in process for which claims have been filed with the governments of the United Kingdom and the United States (Note 3); and

d) The obtaining of additional financing to complete existing and contemplated programs, and the achievement of profitable operations.

Because of the magnitude of the uncertainties described above, we are unable to and do not express an opinion on the fairness of the financial statements.—*Report of Independent Accountants.*

Notes to Consolidated Financial Statements

Note 2: Color-Sonics, Inc. is engaged in the distribution of two types of audio-visual theatres manufactured by the parent company; one model is used for advertising purposes and one is a coin-operated entertainment unit for which the company also supplies films. This subsidiary has had limited sales during the four years of its existence and has incurred operating losses through 1969 of approximately $2,333,000, including $731,000 in 1968 and $1,144,000 in 1969. A substantial part of the 1969 loss resulted from write-downs of film masters, inventory, and product development costs related to entertainment models.

Principal assets related to these theatres, as included in the December 31, 1969 balance sheet are

Current inventory, including related product development costs	$ 877,565
Non-current inventory	403,235
Film masters (classified as a current asset in accordance with practice of related industries)	150,000
Prototypes and other product development costs	318,850
Excess of cost of investment in subsidiary over net assets acquired	282,134
	$2,031,784

The company presently has orders for 100 entertainment models and for 500 advertising models, with the latter order to be reduced

to 100 models if the customer does not effect a public offering of securities through a registration statement to be filed with the Securities and Exchange Commission. Classifications of inventory and related product development costs as current assets have been made on the basis of 500 advertising models and 150 entertainment models on which production is expected to be completed or continued during 1970.

Should such increased activity not be realized, a portion of the inventory of theatres included as current assets at December 31, 1969 would have to be reclassified to non-current assets.

Film masters, from which film prints for entertainment models are made, were written down in 1969 to estimated realizable value because of limited sales and sales forecasts for these models. Realization of other asset values as reflected in the balance sheet is dependent upon achieving satisfactory volume and price levels.

Note 3: Contracts in process at December 31, 1969 consist of contract inventory amounting to $8,087,703 reduced by unliquidated progress payments of $5,900,599. Included in contract inventory are the following:

a) A long-term government contract on which costs at completion are estimated to exceed the present selling price by $1,615,700; of this excess, $163,800 was charged against 1968 operations and $1,451,900 is carried in inventory. The company has filed a claim for price adjustment of approximately $2,000,000 and has requested relief from potential late delivery penalties of $329,000 under this contract. The contracting officer has rejected the claim and the company has filed an appeal with the Armed Services Board of Contract Appeals.

b) Costs of $167,840 in excess of the contract price of a completed contract. The company has filed a claim for an amount in excess of $400,000 with United Kingdom Treasury and Supply Delegation and presently expects the matter to be settled in arbitration proceedings as provided in the contract.

Management believes price relief will be obtained, but the amount, if any, of such relief cannot presently be determined.

Valuation or Realization of Assets

To the Board of Directors and Shareholders of
The Anaconda Company

We have examined the consolidated balance sheet of The Anaconda Company as of December 31, 1969 and the related statements 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.

As described on pages 22 and 23 of this Annual Report and in Note B to the consolidated financial statements, the Company's two major copper-producing properties in Chile were nationalized at the end of 1969. The price which the Chilean Government has agreed to pay for these properties is based in part upon their agreed Chilean book value as of the close of business December 31, 1969 and to a significant degree upon their subsequent earnings to the date on which the Government acquires the Company's remaining interest in the properties. Accordingly, the amount the Company will realize from its investments in these properties has not yet been determined, and no gain or loss resulting from the nationalization is included in the accompanying consolidated financial statements.

In our opinion, subject to the eventual determination of the amount to be realized for the Company's investments in the nationalized properties in Chile, the accompanying consolidated balance sheet and statements of consolidated income and retained earnings present fairly the consolidated financial position of The Anaconda Company and its subsidiaries as of December 31, 1969 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 also encompassed the statement of sources and application of working capital for the year ended December 31, 1969, which is presented as supplementary information. In our opinion, subject to the foregoing explanation, this statement presents fairly the information shown therein.—*Opinion of Independent Accountants.*

Notes to Financial Statements

Note B: Nationalization of Major Chilean Properties—In June 1969, to avoid expropriation of certain of its properties by the Government of the Republic of Chile, the Company accepted the Government's offer to nationalize by agreement the Company's two major copper-producing facilities in Chile. A description of the terms and conditions under which the properties were nationalized, effective December 31, 1969, appears on pages 22 and 23 of this Annual Report.

Because the amount of proceeds ultimately to be received by the Company for the nationalized properties has not yet been determined, no gain or loss resulting from the nationalization is included in the accompanying statement of consolidated income for 1969. It is believed that unused foreign tax credits now available to the Company would absorb all or substantially all of any United States income taxes which would otherwise be payable should the sale of the properties result in taxable gain to the Company.

Amounts required to be paid from 1969 earnings to an agency of the Republic of Chile under the nationalization agreements, also described on page 23 of this Annual Report, are deducted in the accompanying statement of consolidated income under the caption "Additional Chilean participation in profits," in the aggregate amount of $51.9 million, equivalent to $2.37 per Anaconda common share.

The Company's investments in the nationalized properties are segregated in the accompanying consolidated balance sheet at December 31, 1969 under the caption "Investments in Nationalized Chilean Properties." This account represents the carrying value on a consolidated basis of the Company's investments in the affected properties, a portion of which is evidenced by $174.5 million of promissory notes already received from Codelco.

To the Board of Directors
The Barden Corporation

We have examined the consolidated balance sheet of The Barden Corporation and subsidiary companies as at October 31, 1969, and the related consolidated statement of income and earned surplus and the supplemental consolidated statement of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to the English subsidiary, The Barden Corporation (U.K.) Limited and its subsidiary, the financial statements of which were not examined by us, we were furnished with a report by English auditors.

The newly organized company referred to in Note A has been in operation since June 1, 1969 only; therefore we have not been able to obtain sufficient conclusive information to permit us to form an opinion as to the collectibility of the notes receivable from that company.

In our opinion, based upon our examination and upon the report of the English auditors referred to above, subject to the realization of the notes referred to in the preceding paragraph, the accompanying consolidated balance

sheet and consolidated statement of income and earned surplus present fairly the consolidated financial position of The Barden Corporation and subsidiary companies at October 31, 1969, and its 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 preceeding year. Also, in our opinion, the accompanying consolidated statement of funds for the year ended October 31, 1969, presents fairly the supplemental information shown therein.—*Accountants' Report.*

Notes to Financial Statements

Note A—As of May 31, 1969, the Company sold to a newly organized company, all of the assets of the Barden-Leemath Division, at book amount. The loss from operations of the Barden-Leemath Division, before corporate charges for interest and allocation of selling, general and administrative expenses, but after giving income tax effect to such loss, included in the accompanying consolidated statement of income and earned surplus for the years ended October 31, 1968 and 1969, was approximately $165,000 and $83,000, respectively. The sale of the fixed assets of the division resulted in additional Federal income tax, representing recapture of investment tax credits utilized in prior years, shown as an extraordinary charge in the accompanying consolidated statement of income and earned surplus.

The consideration for the sale of these assets was $875,000 in cash and three notes aggregating $984,000, summarized as follows:

Non-interest bearing promissory note due March 3, 1970		$109,000
6% Note—due November 30, 1970	$437,500	
6% Convertible Note—due November 30, 1971	437,500	875,000
		$984,000

Interest is payable December 1, 1969 and quarterly thereafter. The note due November 30, 1971 is convertible into shares of the issuing company at prices ranging from $10 to $20 per share according to the date converted.

To the Board of Directors and Stockholders of Combustion Engineering, Inc.

We have examined the consolidated balance sheet of Combustion Engineering, Inc. (a Delaware corporation) and consolidated subsidiaries as of December 31, 1969, and the related statements of consolidated income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, subject to the realization of the investment in United Nuclear Corporation (see Note 2), the accompanying consolidated balance sheet and statements of consolidated income and retained earnings present fairly the financial position of Combustion Engineering, Inc. and consolidated subsidiaries as of December 31, 1969, 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.*

Notes to Financial Statements

Note 2: United Nuclear Corporation—In June, 1968, the Company acquired approximately 21% of the outstanding stock of United Nuclear Corporation. United Nuclear Corporation brought suit against the Company alleging that the purchase of these shares violated the antitrust laws and requesting certain injunctive relief and the divestiture of the shares held by the Company. Subsequently, the U. S. Department of Justice filed an antitrust complaint against the Company similar to the complaint of United Nuclear Corporation. This suit by the Government is now pending. In July, 1969, a decision was rendered against the Company in the suit brought by United Nuclear Corporation. Under the terms of the judgment entered in this case, the Company is required to dispose of its shares in United Nuclear Corporation within a ten-year period from November, 1969. The management of the Company is exploring various methods of complying with the judgment of the court, and no decision has been reached as to how or when this might best be accomplished.

To the Shareholders and Board of Directors, Walter Kidde & Company, Inc.

We have examined the consolidated balance sheets of Walter Kidde & Company, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1969 and 1968 (restated), the related statements of operations, paid-in surplus and earnings retained in the business for the years then ended, and the statement of source and application of funds for the year ended December 31, 1969. 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 1969 financial statements of United States Lines Company, a division, and its subsidiaries were examined by other auditors and we were furnished with their report on these financial statements.

In our opinion, based upon our examinations and the report of other auditors referred to above, and subject to the realization of the investments as discussed in Notes to Financial Statements, the accompanying consolidated financial statements present fairly the financial position of Walter Kidde & Company, Inc. and subsidiaries as of December 31, 1969 and 1968 (restated), the results of their operations for the years then ended and the source and application of funds for the year ended December 31, 1969, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

Notes to Financial Statements

Investments—At December 31, 1969, investments amounted to $27,485,819, representing the cost of 372,400 Common Shares and 31,100 Series A Preferred Shares of Crum and Forster stock, or approximately 7% of the Common Shares and 7% of the Series A Shares outstanding at March 13, 1970. These shares had a book value of $19,072,696 at December 31, 1969 and a quoted market value of $15,970,650 at March 13, 1970. In the opinion of management, these differences do not represent a permanent impairment in the value of the investment and the Company has no immediate plans to dispose of these shares.

To the Shareholders and the Board of Directors of Leslie Salt Co.

We have examined the consolidated balance sheet of Leslie Salt Co. and subsidiaries as of December 31, 1969 and the related statements of consolidated income and retained earnings and of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to any adjustments which may arise relating to real estate under development (see Note 3), the accompanying consolidated balance sheet and statements of consolidated income and retained earnings

and source and application of funds present fairly the financial position of the companies at December 31, 1969 and the results of their operations and the source and application of their funds 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.*

Notes to Financial Statement

Note 3: Real Estate Under Development—Progress on the Company's real estate development project (at Redwood City, California) has been delayed as a result of the Federal Housing Administration (F.H.A.) withholding its approval of further mortgage insurance commitments pending completion of studies by the U.S. Army Corps of Engineers. If F.H.A. approval is not obtained, alternative financing plans may have to be developed which could further delay the progress of the development.

The total cost of the development will exceed the original estimate because of increased carrying costs resulting from the delay and from higher interest rates. Annual carrying costs, principally tax assessments and interest, aggregate approximately $2,100,000.

Ultimate realization of the investment in the project is dependent upon several factors affecting continuation and timing of further development. The Company expects that F.H.A. approval will be obtained and that the development can be completed on a break-even or profitable basis; however, there is no assurance that this will be the case.

Pending resolution of these matters, none of the development costs has been classified as a current asset as of December 31, 1969, and no gain has been recognized on the 1969 operations of the development project.

If development in 1970 is continued on the basis of existing plans, expenditures in 1970 will aggregate approximately $5,655,000.

Board of Directors and Shareholders,
PepsiCo., Inc.

We have examined the accompanying consolidated balance sheet of PepsiCo., Inc. and subsidiaries at December 27, 1969 and the related statements of consolidated income and retained earnings and consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to adjustment, if any, of the carrying value of the beet/cane sugar facility as explained in Note 2, the statements mentioned above present fairly the consolidated financial position of PepsiCo., Inc. and subsidiaries at December 27, 1969 and the consolidated results of their operations and the consolidated source and application of their funds 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.*

Notes to Consolidated Financial Statements

Note 2: Sugar Facility—The Company's beet/cane sugar facility at Montezuma, New York is leased to Maine Sugar Industries, Inc. for a period of fourteen years with an option for the lessee to purchase the facility in the final year of the lease at a price equal to its then fair market value, with certain adjustments. The facility is included in the property accounts at a net book value of $16,100,000.

The lessee has announced that three of its creditors, having claims totaling about $4,000, have filed a petition in the U.S. District Court for the District of New Jersey, seeking it to be adjudged bankrupt, and that the lessee intends to oppose such petition. In addition, a number of contractors have filed materialman's liens against the refinery property with respect to construction performed for the lessee, and certain growers of sugar beets in New York State have filed a class action in the U.S. District Court for the District of Maine, seeking $1,555,225, alleged to be the sum due members of the Finger Lakes Sugar Beet Growers Association on account of sugar beets sold by them to the lessee in 1969.

In view of all the present uncertainties, the Company is not now in a position to determine the present value of the facility and the extent of impairment, if any, of the plant's economic value.

Litigation

To the Shareholders and Board of Directors of
ELTRA Corporation:

In our opinion, subject to the effects, if any, of the ultimate determination of the pending shareholder litigation described in the first paragraph of Note 6 to the financial statements, the accompanying consolidated balance sheet and the related statements of consolidated income and surplus accounts and source and application of funds present fairly the financial position of ELTRA Corporation and its consolidated subsidiaries at September 30, 1969 and the results of their operations and changes in working capital for the fiscal 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.—*Report of Independent Public Accountants.*

Notes to Financial Statements

Note 6: Pending Litigation—On June 26, 1963, an action against The Electric Auto-Lite Company ("Auto-Lite"), Mergenthaler Linotype Company ("Mergenthaler") and American Manufacturing Company, Inc. ("American") was instituted in the United States District Court for the Northern District of Illinois, by two Auto-Lite shareholders, one owning 100 shares of record and the other owning 500 shares beneficially. The suit was brought as a purported derivative action on behalf of Auto-Lite and as a purported class action on behalf of all minority Auto-Lite shareholders. The complaint seeks to set aside the merger of Auto-Lite with and into Mergenthaler, now ELTRA, which became effective on June 28, 1963. The complaint also seeks an accounting to Auto-Lite from Mergenthaler and American for damages allegedly arising from the merger. The complaint, as subsequently amended and supplemented, is divided into three counts: Count One alleges common law fraud; Count Two alleges violations of Sections 14(a) and 29(b) of the Securities Exchange Act of 1934; and Count Three alleges that the merger was ultra vires under Ohio law. Among other actions taken in this case, on September 26, 1967, without a trial and without passing upon the question of appropriate relief, the District Court granted plaintiffs' motion for supplemental summary judgment of liability as to Count Two. In a ruling rendered on November 25, 1968, the United States Court of Appeals for the Seventh Circuit agreed with the District Court that, as a matter of law, the proxy statement failed to bring out adequately the relationship between the Auto-Lite Board members and Mergenthaler, thus constituting the omission of a material fact in violation of Section 14(a), but further held that summary judgment had been improperly granted because the casual relationship between the deficiency in the proxy statement and the merger presented an issue for trial. The Court stated that the defendants have the burden of persuasion on this issue. The Court of Appeals directed that the summary judgment order in plaintiffs' favor be reversed and remanded the case to the District Court. On April 21, 1969, the United States Supreme Court agreed to review the decision of the United States Court of Appeals for the Seventh Circuit, pursuant to a petition filed by the plaintiffs. Briefs of the parties were filed with the Supreme Court. The Solicitor General of the United States also filed a brief as a friend of the Court. Oral argument was heard by the Supreme Court on November 13, 1969. It is expected that a decision will be rendered in the near future. Counsel to the Corporation in this matter have advised the Company that it has valid defenses to plaintiffs' request that the merger be set aside, and to plaintiffs' claims for damages. While it is not possible to predict the decision of the Supreme Court or the ultimate disposition of the case, it does not now appear that the outcome of this litigation should impair the long range

plans for the future of the Company. When the Supreme Court decision is rendered, the Corporation will advise shareholders concerning the decision.

Several other law suits are pending against the Corporation, including the Photon patent litigation discussed on page nine. It is the belief of management, based on the opinion of counsel, that the ultimate liabilities under these other suits would not be material.

Board of Directors
Iowa Beef Packers, Inc.

We have examined the accompanying consolidated balance sheet of Iowa Beef Packers, Inc. and subsidiaries as of November 1, 1969, the related consolidated statements of earnings and stockholders' equity, and the consolidated statement of source and application of funds for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As a result of anti-trust litigation described in Note B, the Company may be required to dispose of its plants at LeMars and Mason City, Iowa, which were acquired in the Blue Ribbon transaction in 1969.

In our opinion, subject to the financial effect, if any, resulting from the outcome of the matter described above, the financial statements referred to above present fairly the consolidated financial position of Iowa Beef Packers, Inc. and subsidiaries at November 1, 1969, the consolidated results of their operations and the source and application of funds for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Note B: Acquisition of Blue Ribbon Beef Pack, Inc.—During the year the Company acquired, in exchange for $5,331,000 of its convertible debentures, all the outstanding stock of Blue Ribbon Beef Pack, Inc. which had plants in LeMars and Mason City, Iowa. The acquisition was accounted for as a purchase, and the operations of Blue Ribbon since May 31, 1969, have been included in the accompanying financial statements. The cost in excess of the net assets acquired, amounting to $2,556,000, was allocated to property, plant and equipment.

The United States Justice Department has filed suit under the Clayton Anti-Trust Act in an attempt to require the Company to dispose of the plants acquired. The case has been set for trial on March 2, 1970, and the outcome or its possible financial effect on the Company is not determinable at this date.

To the Stockholders of
Lehigh Portland Cement Company

In our opinion, subject to the possible effect, if any, of the litigation referred to in the first paragraph of Note 8, the accompanying statement of consolidated financial position, the related statement of consolidated earnings and retained earnings and the statement of consolidated source and application of funds present fairly the financial position of Lehigh Portland Cement Company and its subsidiaries at December 31, 1969, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Note 8: Litigation—A treble damage action instituted in 1967, amended in 1969, alleging that the company, together with nine other ready-mix concrete producers, violated the anti-trust laws in sales of ready-mix concrete in Dade and Broward Counties, Florida, in the years 1967, 1968 and 1969, is expected to come to trial later this year. Legal counsel is of the opinion that, although the company has a valid defense to this action, the complex nature of the suit makes the outcome uncertain. Therefore, it is impractical at this time to measure the potential effect, if any, on the operating results for each of the three years involved. However, in the opinion of management and its legal counsel, the aggregate possible awards, if any, will not be material relative to the company's financial position.

The proceedings in another anti-trust action against the company in Kentucky were stayed in December, 1967, and the case was removed from the docket; it is subject to being redocketed only on proper motion by the plaintiff.

In April, 1966, the Federal Trade Commission instituted an action against the company which, if sustained, might result in an order for the company to divest certain purchased ready-mix concrete operations in Florida, Kentucky and Virginia. Although the company is prepared to settle this complaint on an equitable basis it continues to resist the action vigorously by using all available legal defenses in order to protect its rights. In any event, it is management's opinion that the possibility of a material adverse effect on either the financial position or operating results of the company, should a portion or all of these operations be ultimately disposed of, is remote.

To the Share Owners and Board of Directors of
Chas. Pfizer & Co., Inc.

We have examined the consolidated balance sheet of Chas. Pfizer & Co., Inc. and subsidiary companies as of December 31, 1969, and the related statements of consolidated earnings and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to final determination of litigation referred to in the note on legal matters, the accompanying consolidated financial statements present fairly the financial position of Chas. Pfizer & Co., Inc. and subsidiary companies at December 31, 1969, and the results of their operations and source and application of funds 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.*

Notes to Consolidated Financial Statements

Legal Matters—In 1961, a Grand Jury returned an indictment under the Sherman Act against Pfizer and two other manufacturers of broad spectrum antibiotics. A judgment of conviction was rendered on December 29, 1967. Pfizer and the two other defendants have appealed to the Federal Court of Appeals in New York. The appeal was argued in May, 1969 and a decision is awaited.

The treble damage suits, based on alleged antitrust violations relating to broad spectrum antibiotics and mentioned in the last two Annual Reports, are pending. Additional similar suits have been filed against Pfizer and four other companies, so that the number of such suits now totals over 130.

In February, 1969, the Company joined with the other defendants in those cases in making two offers of settlement. The Company's share of the amounts offered in each case was 34.1%.

A sum of $100,000,000 was offered by all defendants in settlement of claims of government entities and hospitals in the United States (other than entities and hospitals of the federal government), retailers, wholesalers and consumers. This proposed settlement of these treble damage actions is presently before the United States District Court for the Southern District of New York, which on May 26, 1969 entered an order establishing classes of claimants consisting of non-federal governmental entities and hospi-

tals, retailers, wholesalers and individual consumers in the United States for the purpose of effecting the settlement. A large group of the plaintiffs in these classes has agreed to the proposed settlement. Some did not, and the $100,000,000 sum was reduced. In furtherance of this settlement proposal, the defendants have jointly created an escrow fund, to which the Company made a payment in 1969 of $29,101,354. If the plan is finally approved by the Court, most of these treble damage actions will be resolved pursuant thereto.

In February, 1969, an additional $20,000,000 was offered by the Company and the other defendants to settle the claims of non-governmental hospitals, insurers such as Blue Cross, and certain miscellaneous claims. Subsequent to that offer, negotiations have been, and are now being, conducted with the attorneys for non-governmental hospitals and Blue Cross organizations looking toward settlement of cases involving such plaintiffs. It now appears that in order for negotiations with non-governmental hospitals and Blue Cross organizations to be successfully concluded, such amount will have to be increased and the claimants covered by the offer reduced.

There can be no assurance that either of these settlement plans will be successful. A number of treble damage plaintiffs have refused to accept any proposed settlement. There are some to which neither settlement offer applies.

The Company vigorously denies all charges that it violated the antitrust laws.

The Company has provided in its accounts a charge to retained earnings in the amount of $42,000,000, less estimated tax reduction of $22,176,000. These amounts apply and have been charged to specific years prior to 1962. Retained earnings at the beginning of 1968, and the appropriate accounts included in the consolidated balance sheet at December 31, 1968, have been restated to include these charges. The $42,000,000 sum represents amounts which have been paid, and an estimate of amounts to be paid, including expenses, in connection with the escrow payment and the settlement offer being negotiated, discussed above. No provision has been made for contingencies arising out of suits or claims by others since such contingencies cannot now be reasonably predicted. However, the Company believes that such additional amounts, while they could be significant, can be absorbed without serious effect upon its financial position.

On March 24, 1969, the Supreme Court of the United States denied Pfizer's petition for a writ of certiorari to review the Sixth Circuit's affirmance of the Federal Trade Commission order requiring the Company to license tetracycline at a 2½% royalty. In July, 1969, the Department of Justice filed suit against the Company, seeking to cancel the tetracycline patent and to recover damages for alleged overcharges on direct and indirect purchases by the federal government of broad spectrum antibiotic products. The Company denies liability.

Board of Directors and Stockholders
Sundstrand Corporation

We have examined the consolidated balance sheet of Sundstrand Corporation and subsidiaries as of December 31, 1969, and the related consolidated statements of earnings, retained earnings and change in 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. We previously reported upon the consolidated financial statements of the company and its subsidiaries for the year ended December 31, 1968.

In our opinion, subject to the ultimate realization of the contract claim and settlement of the litigation referred to in Notes C and D, the accompanying financial statements present fairly the financial position of Sundstrand Corporation and subsidiaries at December 31, 1969, and the results of operations and change in 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.—*Auditors' Opinion.*

Notes to Financial Statements

Note C: Contract Claim—During 1969, Sundstrand subsequently completed the development of an underwater propulsion system. Included in net sales of products and long-term receivables is $6.6 million representing a claimed contract price adjustment for costs incurred under the multi-year contract which the company feels are attributable to causes that are the responsibility of the U.S. Government. Negotiations for recovery are presently proceeding with the prime contractor. In the opinion of special counsel and management, the company has a sound legal claim.

Note D: Marketable Securities—Marketable securities represent 223,190 shares (9.4 percent) of Standard Kollsman Industries, Inc. (SKI) common stock acquired from a principal stockholder for the potential acquisition of SKI. Plans to acquire SKI were subsequently terminated and on August 8, 1969, Sundstrand filed a lawsuit seeking rescission of the stock purchase or in the alternative, money damages based upon the defendants' asserted violation of the Securities Exchange Act of 1934 and rules of the Commission thereunder. At December 31, 1969, the quoted market value of SKI stock was substantially less than cost. In the opinion of management and counsel, Sundstrand has a valid claim.

Tax or Renegotiation Liabilities

To the Board of Directors and Shareholders
Melville Shoe Corporation

We have examined the statement of consolidated financial condition of Melville Shoe Corporation and subsidiary companies as of December 31, 1969 and the related statements of consolidated earnings and consolidated retained earnings for the year then ended. Our examination which included the accompanying statement of consolidated source and application of funds for the year ended December 31, 1969 was made in accordance with generally 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 Federal income tax liability as described in Note 3b of notes to consolidated financial statements, the accompanying statement of consolidated financial condition and statements of consolidated earnings and consolidated retained earnings present fairly the financial position of Melville Shoe Corporation and subsidiary companies at December 31, 1969 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 consolidated source and application of funds for the year ended December 31, 1969 presents fairly the information shown therein.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Note 3 (in part): *Federal Income Taxes*—(b) In connection with an examination of tax returns of the company and its subsidiaries for the years 1964, 1965 and 1966, the Internal Revenue Service in 1969 questioned the claiming of separate surtax exemptions for the subsidiary companies. Separate surtax exemptions have been accepted by the Service for all years prior to 1964 and, in the opinion of the company, they are allowable under the then existing legislation; accordingly, it intends to contest any disallowance. Pursuant to the Tax Reform Act of 1969, multiple surtax exemptions for controlled groups are to be phased out over a six-year transitional period commencing in 1970. If consolidated tax returns had been filed for 1969 and 1968, the approximate reduction in earnings per share would have been $.50 and $.46, respectively.

To the Board of Directors and Shareholders
The Pantasote Company

We have examined the consolidated balance sheet of The Pantasote Company and subsidiaries as of December 31, 1969 and the related consolidated statements of income, shareholders' equity and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the granting of the foreign tax exemption and the final determination of a foreign income tax described in Note 4, the financial statements referred to above present fairly the consolidated financial position of The Pantasote Company and subsidiaries as of December 31, 1969 and the consolidated results of their operations and the source and application of funds 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.*

Notes to Financial Statements

Note 4 (in part): *Foreign Income Taxes*—a. Italian Taxes: The financial statements of the Italian subsidiaries included in these consolidated statements have been prepared in conformity with generally accepted United States accounting principles and accordingly do not conform with the subsidiaries' books of account employed for Italian tax purposes.

A subsidiary, whose net income in 1969 was in excess of the Company's net income before extraordinary items, has not provided in full for Italian income taxes in anticipation of a grant of a tax exemption. An unfavorable resolution of the tax exemption application conceivably could require the payment of additional taxes of up to $400,000 for the current year.

In Italian commercial practice, the final determination of income tax liability is commonly negotiated with the fiscal authorities and it is not practicable to evaluate the extent of ultimate liability which may result from current year's operations.

The Company is indemnified by former shareholders of the Italian subsidiaries with respect to prior years unrecorded tax liabilities in excess of $50,000.

To the Shareholders and Board of Directors of
Grumman Corporation

We have examined the consolidated balance sheet of Grumman Corporation and subsidiaries as of December 31, 1969 and the related consolidated statements of income, shareholders' equity and changes in 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, except that it was impracticable to confirm by direct correspondence amounts due from the United States Government, as to which we satisfied ourselves by other auditing procedures.

In our opinion, subject to such adjustments, if any, as may be necessary in connection with renegotiation (see Note 4), the accompanying financial statements identified above present fairly the financial position of Grumman Corporation and subsidiaries consolidated at December 31, 1969 and the results of their operations, changes in shareholders' equity, and changes in 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.—*Report of Independent Certified Public Accountants.*

Notes to Financial Statements

Note 4: A substantial portion of sales are subject to the Renegotiation Act of 1951. Renegotiation has been concluded through 1964. With respect to 1965, the statutory Renegotiation Board issued an order in 1968 directing the Company to make a refund to the Government from its profits realized on renegotiable business during 1965 which, after adjustment for state and Federal taxes measured by income, would approximate $2,500,000. The Company did not concur with the Board's determination and, accordingly, petitioned the U.S. Tax Court for a redetermination of the Board's finding. This matter is still pending in the U.S. Tax Court. Even if the Board's position for 1965 were eventually to be sustained, the effect, after application of available reserves on reported net income for that year would not be material.

More recently the Eastern Regional Board made a recommendation to the statutory Renegotiation Board that profits from renegotiable business during 1966 were excessive in the approximate amount of $6,000,000 after taxes. This case has now been reassigned to the statutory Renegotiation Board for further proceedings. The statutory Renegotiation Board is not bound or limited in any manner by the recommendation of the Eastern Regional Renegotiation Board and will conduct a complete review of the case before making its final determination.

On the basis of its own experience in renegotiation proceedings for years prior to 1965, as well as court precedents involving other similarly situated aerospace companies, the Company does not consider its profits to have been excessive for either 1965 or 1966. However, the Company cannot predict what refunds, if any, may ultimately be required of it for those years.

On the basis of data now available, it is the opinion of the Company that profits from renegotiable business during the years 1967 through 1969 were within limitations which the Renegotiation Board has considered reasonable in the past and that refunds for these years should not be required by the Renegotiation Board.

No amounts have been added to reserves for renegotiation since 1965. Refunds, if any are ultimately required for 1965 in excess of the reserve, or for 1966 or subsequent years, would be charged against prior earnings retained for use in the business and would not be charged to earnings for the year during which the renegotiation proceedings with respect thereto are finally concluded. Accordingly, there would be no significant effect on the accompanying financial statements.

To the Directors and Shareowners of
North American Rockwell Corporation

We have examined the consolidated balance sheet of North American Rockwell Corporation and consolidated subsidiaries as of September 30, 1969 and the related statements of consolidated income, capital stock and additional capital, retained earnings, and source and application 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. We did not examine the financial statements of Miehle-Goss-Dexter, Incorporated, but we were furnished with the report of other accountants on their examination of the statements of that subsidiary for the year. Our opinion expressed below, insofar as it relates to the amounts included for Miehle-Goss-Dexter, Incorporated, is based solely upon such report.

As stated in the last paragraph of Note 3, the Corporation charged earnings for the year ended September 30, 1969 with an amount believed to be the entire loss on its F-111 avionics contract based on its current estimates. Future results of operations will be affected to the extent these estimates may be subsequently revised.

In our opinion, subject to such adjustments, if any, as may be necessary in connection with renegotiation (see

Note 11), the above-mentioned financial statements of North American Rockwell Corporation and consolidated subsidiaries present fairly their financial position at September 30, 1969 and the results of their operations and the source and application of their working capital for the year then ended, in conformity with generally accepted accounting principles applied in all material respects on a basis consistent with that of the preceding year.—*Opinion of Independent Certified Public Accountants.*

Notes to Financial Statements

Note 11: Renegotiation—Substantially all sales under United States Government contracts and subcontracts are subject to the Renegotiation Act, which provides for recovery by the United States Government of any profits deemed excessive. Renegotiation proceedings have been completed for all years through 1963. With respect to the fiscal year 1964, the Renegotiation Board has determined that excessive profits were realized. If sustained, this determination would require a refund to the Government of approximately $2,300,000 after adjustments for taxes. The Corporation has not accepted the Board's determination and has filed a petition with the Tax Court of the United States for a redetermination thereof as provided in the Renegotiation Act. Because the Corporation believes that no excessive profits were realized in the fiscal year 1964 or in subsequent fiscal years, it has not made provision in the accompanying financial statements for renegotiation refunds for such years.

To the Stockholders
Winnebago Industries, Inc.

We have examined the accompanying consolidated balance sheet of Winnebago Industries, Inc., and its subsidiary as of February 22, 1969, and the related consolidated statements of income and additional paid-in capital and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made an examination similar in scope for the year ended February 24, 1968.

In our opinion, subject to any adjustments which might result from the final disposition of the pending claim for excise taxes as described in Note 8 of the Notes to Consolidated Financial Statements, the consolidated financial statements mentioned above present fairly the consolidated financial position of Winnebago Industries, Inc., and its subsidiary at February 22, 1969 and February 24, 1968, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

March 31, 1969 (Except as to Note 9 as to which the date is April 15, 1969).

Notes to Consolidated Financial Statements

Note 8 (in part): *Contingent Liabilities*—The Internal Revenue Service has informally advised the parent Company of its intention to assess manufacturers excise tax relative to the Company's product, KD Kap covers, in the amount, including interest, of $309,972, net of income tax effect, to February 22, 1969. In the event that such taxes were assessed and found to be legally due, the effect on net income (before dividends on preferred stock redeemed in August, 1966) for each period would be as follows:

	Controlling Interest In Consolidated Net Income		Net Income Per Share of Common Stock	
Year ended:	Before Proposed Assessment	After Proposed Assessment	Before Proposed Assessment	After Proposed Assessment
Feb. 29, 1964	$ 1,961	$ 1,674	$ —	$ —
Feb. 27, 1965	26,678	25,565	.02	.02
Feb. 26, 1966	185,552	166,329	.12	.10
Feb. 25, 1967	512,272	420,748	.20	.16
Feb. 24, 1968	1,385,261	1,289,786	.51	.47
Feb. 22, 1969	2,429,713	2,327,363	.85	.81

The parent Company believes that these excise taxes are not due but the final outcome of the matter cannot be determined at this time.

Note 9: Subsequent Event—On April 15, 1969 the Board of Directors voted a 2 for 1 common stock split-up to be effected in the form of a 100% stock dividend to be issued out of additional paid-in capital. This will result in the transfer of $1,512,100 from additional paid-in capital to the common stock account.

Claims in Connection with Sales Contracts

To the Shareholders
Hamilton Watch Company

We have examined the consolidated balance sheet of Hamilton Watch Company and subsidiaries as of January 31, 1970, and the related consolidated statements of income and shareholders' equity and the consolidated statements of 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. Confirmations of certain accounts with United States Government departments and agencies were not obtainable, but we were able to satisfy ourselves by other auditing procedures. We previously examined and reported upon the Company's consolidated financial statements for the preceding year.

In our opinion, which as to the year ended January 31, 1969 is subject to the adjustment as may arise from the ultimate resolution of the claim for contract price adjustment described in Note 10, the aforementioned financial statements present fairly the consolidated financial position of Hamilton Watch Company and subsidiaries at January 31, 1970, and January 31, 1969, and the consolidated results of their operations and the consolidated source and disposition of working capital for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Notes to Consolidated Financial Statements

Note 10 (in part): *Contingencies and Commitments, etc.*—The Company filed a claim for contract price adjustment (consisting of 14 subclaims) with an agency of the United States Army in July, 1968 and the agency's contracting officer rejected the claim in June, 1969. The Company is seeking to recover excess costs (and related profit thereon) arising from change orders and faulty plans and specifications that are the responsibility of the Government. The Company has appealed the contracting officer's decision to the Armed Services Board of Contract Appeals, restating the amount of the claim at $5,400,000. For the fiscal year ended January 31, 1969, the Company has included in income $600,000 ($270,000 after related income taxes) representing the approximate amount of certain subclaims as to which, in the opinion of management and counsel, little doubt exists as to recovery. While, in the opinion of management and counsel, the balance of the claim is also technically sound and legally sufficient, it involves engineering, cost and legal principles which require interpretation and resolution. Accordingly, it is not possible to determine the amount which may eventually be recovered on this claim.

Contract

The Board of Directors and Stockholders
Howmet Corporation

We have examined the accompanying consolidated balance sheet of Howmet Corporation at December 31, 1969 and the related consolidated statements of income and retained earnings and source and disposition of work-

ing capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to such adjustments as may result from performance under the major aerospace contract described in Note 4, the statements mentioned above present fairly the consolidated financial position of Howmet Corporation at December 31, 1969 and the consolidated results of its operations and the source and disposition of its consolidated 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.—*Report of Certified Public Accountants.*

Notes to Consolidated Financial Statements

Note 4: Major Aerospace Contract—At December 31, 1969, the Company had deferred development costs of $2,800,000 in connection with a long-term aerospace contract to manufacture landing gear for the McDonnell Douglas DC-10 jetliner. The contract contemplates the delivery of up to $30,000,000 of landing gear over a three year period, with additional customer options for $30,000,000 of follow-on production through 1974. Production is in its early stages. Initial costs of production are higher than anticipated, and excess initial production costs incurred through December 31, 1969 have been charged against earnings. Management is undertaking changes in the handling of this contract and believes that these changes should result in a profitable conclusion of the entire contract.

Divestiture

R. J. Reynolds Tobacco Company,
its Directors and Stockholders

We have examined the consolidated financial statements of R. J. Reynolds Tobacco Company and consolidated subsidiaries for the year ended December 31, 1969. We also examined the consolidated statement of source and disposition of funds. Our examination was made in accordance with generally 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 adjustments, if any, that may result from the divestiture of Penick & Ford, Limited described in Note L, the accompanying balance sheet and statements of earnings and of earnings retained present fairly the financial position of R. J. Reynolds Tobacco Company and consolidated subsidiaries at December 31, 1969, and the results of their operations and changes in stockholders' equity for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. It is also our opinion that the accompanying consolidated statement of source and disposition of funds presents fairly the information shown therein.—*Report of Independent Accountants.*

Notes to Consolidated Financial Statements

Note L: Divestiture of Penick & Ford, Ltd.—On September 22, 1969, the Company consented to a Final Judgment requiring divestiture within two years of the corn wet milling and potato starch businesses acquired from Penick & Ford, Ltd., Incorporated. The divestiture may be by public offerings or distribution to Reynolds common shareholders of Penick stock, or by sale of the stock or assets and business of Penick to an acceptable purchaser. The financial effects of the divestiture cannot now be determined because the method and terms of divestiture are unknown.

At December 31, 1969, the Company's investment in Penick was approximately $79,300,000, of which approximately $30,800,000 represented cost in excess of net assets of businesses acquired. During 1969 Penick had net sales of approximately $59,800,000, and net earnings of approximately $54,000.

Auditors' Report Qualified as to Several Matters

To the Board of Directors and Shareholders of
AMK Corporation

We have examined the consolidated balance sheet of AMK Corporation and its subsidiaries as of December 31, 1969, the related consolidated statement of income and income retained in the business and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of United Fruit Company (a consolidated subsidiary acquired during 1969) which represent approximately 45% and 39%, respectively, of consolidated assets and sales. These statements, included elsewhere in this Annual Report, were examined by other independent accountants whose report thereon has been furnished to us.

The cost of AMK Corporation's investment in United Fruit Company amounting to $630,708,000 exceeds AMK Corporation's interest in the net assets of United Fruit Company as shown in its accounts by $344,446,000. As explained in Note 1 to the financial statements, AMK Corporation has undertaken a study to allocate the recorded amount of its investment to the specific assets acquired and liabilities assumed. This study, representing a major undertaking, was commenced in 1969 and is not expected to be completed before late 1970. Until this study is complete the Company cannot determine what effect such an allocation might have on the accompanying financial statements.

The Company received a notice on May 4, 1970 from the Federal Trade Commission to the effect that the Commission has decided to institute a proceeding to compel AMK Corporation to divest itself of its ownership of the stock of United Fruit Company as further described in Note 14.

In early 1970 the Company announced the closing of certain plants. While the ultimate amount of costs and expenses associated with these plant closings cannot be determined at this time, as explained in Note 7 to the financial statements the Company has made provision at December 31, 1969 for its present best estimate of such costs.

In our opinion, based on our examination and the report of other independent accountants referred to above, and (a) subject to the possible effect of the ultimate allocation of the $630,708,000 cost of AMK Corporation's investment in United Fruit Company, (b) subject to the effect, if any, of the Federal Trade Commission proceedings as referred to above and (c) subject to the effect of any adjustments that may result from the ultimate determination of the plant closing costs mentioned above, the accompanying financial statements present fairly the consolidated financial position of AMK Corporation and its subsidiaries at December 31, 1969, the results of their operations and the supplementary information on funds for the year then ended, in conformity with generally

accepted accounting principles applied on a basis consistent with that of the preceding year.—*Opinion of Independent Accountants.*

Notes to Consolidated Financial Statements

Note 1 (in part): *Principles of Consolidation*—As a result of the foregoing, the Company acquired 6,810,278 common (83% of the outstanding) and 99,424 preferred (78% of the outstanding) shares of United. Since the acquisition of United stock was treated as a purchase, AMK's investment was recorded at the market value of the AMK securities issued based on the quoted market prices of convertible debentures and warrants on the first date when these securities traded and the price of AMK common stock on such date. The cost of investment and the excess of cost of investment over equity in net assets (as recorded on books of United) acquired are summarized below:

	in thousands
Issuance of $254,597,818 principal amount of 5½% convertible debentures, at 96.5%	$245,687
Issuance of 3,684,967 shares of AMK common stock at $47.75 per share	175,957
Issuance of 10,049,913 warrants, each to purchase one share of AMK common stock, at $17.25 per warrant	173,361
Payment to Zapata of $6,800,500 in cash and issuance of subordinated note for $17,605,965	24,406
Costs of tender offer	10,214
Investment in United at December 31, 1968 of $41,778,000, less proceeds of $40,695,000 received on rescission of purchase	1,083
Total cost of investment	$630,708
Less—AMK equity in net assets (as recorded on books of United) acquired at dates of acquisition	286,262
Excess of cost of investment over equity in net assets (as recorded on books of United) acquired	$344,446

The Company has undertaken a study to determine whether any portion of the excess cost of this investment should be allocated to specific assets acquired or liabilities assumed. This study, representing a major undertaking, was commenced in 1969 and is not expected to be completed before late 1970. Based on preliminary reports from its appraisers, the Company is of the opinion that the effect of this allocation will not result in a material change in currently reported earnings. Pending completion of this study the assets and liabilities of United have been included in the consolidated financial statements at the values recorded on the books of United. Since it is the opinion of the Company that the benefits to be derived from the investment in United will be of indefinite duration, no amortization has been provided for the excess of cost of the investment in United over the equity in the net assets (as recorded on books of United) acquired.

Note 7 (in part): *Extraordinary Items*—In early 1970 the Company decided to close the Ottumwa, Iowa Plant and three smaller plants of John Morrell & Co. However, with respect to the Ottumwa Plant closing, the announcement stated that discussions are continuing to take place with the unions involved in an effort to prevent this from happening. All parties have indicated a desire to cooperate to avoid the closing of the entire plant and to find an alternative solution. Although these discussions have not yet been concluded it is the opinion of the Company that any extraordinary costs and expenses will be minimal.

In May 1970, the Company completed its studies with respect to costs it anticipates will be incurred in connection with the closings of the other three plants and as of December 31, 1969 has provided $2,929,000. These estimated costs include pension, severance and vacation pay for employees expected to be terminated, loss on disposition of plant and equipment and certain other closing costs. A portion of these estimated costs, $1,415,000 representing amounts to be paid in 1970, is included in current liabilities. Although the costs ultimately to be incurred cannot be finally determined at the present time, the Company believes, based on its studies, that the provisions recorded represent a fair and reasonable determination of the amounts required.

Note 14: Federal Trade Commission Matter—In September 1969, the Federal Trade Commission requested AMK and United to provide certain data relating to AMK's acquisition of its interest in United, and the companies have complied with the Commission's request. On May 4, 1970, the Company received a notice from the Federal Trade Commission to the effect that the FTC has decided to institute a proceeding to compel the Company to divest its interest in United. The Company has been advised by its counsel that its acquisition of United did not, and does not, violate any federal laws. The Company has stated that United will continue to operate as a separate viable entity. The staff of the FTC has stated that it will recommend that the Commission not seek an injunction to prevent the merger of AMK and United. Also on May 4, 1970, United received a notice from the FTC stating that the FTC intends to institute proceedings to compel United to divest itself of its interest in the domestic fresh produce business (primarily lettuce) and to require United to withdraw from such business for a period of ten years. United's management believes that United's entry into the domestic fresh produce business was not, and is not, in any way in violation of any federal laws. Accordingly, AMK and United will oppose the proceeding which the FTC may institute.

REPORTING CHANGES IN ACCOUNTING PRINCIPLES

Table 6-9 summarizes the manner in which auditors' reports referred to changes in accounting principles or methods that were disclosed in the annual reports of the survey companies. Fifty-two of the 73 auditors' reports referring to accounting changes were qualified as to consistency; the other 21 stated that the current year financial statements were consistent with restated or revised prior year financial statements. In 80% of the reports containing a consistency qualification, the auditors stated that they *approved, accepted* or *concurred* in the change. Representative examples of auditors' reports referring to changes in accounting policies or methods follow.

Depreciation Methods

To the Board of Directors and Shareholders of The General Tire & Rubber Company

In our opinion, based on our examination and the report mentioned below of other independent accountants, the accompanying consolidated balance sheet, the related statements of consolidated income, retained earnings and source and application of funds present fairly the consolidated financial position of The General Tire & Rubber Company and consolidated subsidiaries at November 30, 1969, the consolidated results of their operations and the supplementary information on funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, which we approve, in the method of computing depreciation as described in Note D 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 did not examine the consolidated financial statements of RKO General, Inc. and its subsidiaries, which statements were examined by other independent accountants whose report thereon has been furnished to us.—*Opinion of Independent Accountants*

Notes to 1969 Consolidated Financial Statements

Note D—The Company, but not its two principal subsidiaries, Aerojet-General and RKO General, changed its method of computing depreciation for financial reporting purposes from an accelerated method to a straight-line method for all capital additions

since December 1, 1968. Also, the lives of all machinery and equipment were extended so as to depreciate such assets over the economic, useful lives rather than the guideline lives suggested by the Internal Revenue Service. There has been no change in the computation of depreciation for income tax purposes and appropriate provision has been made for the resulting deferred taxes. This change had the effect of increasing net income for 1969 by $1,928,000 or 11¢ per share.

To the Stockholders and Board of Directors, Getty Oil Company

We have examined the consolidated balance sheet of Getty Oil Company (a Delaware corporation) and subsidiaries as of December 31, 1969 and 1968, and the related statements of income, stockholders' equity, and source and disposition of funds 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 above mentioned financial statements present fairly the consolidated financial position of Getty Oil Company and subsidiaries as of December 31, 1969 and 1968, and the results of their operations and the source and disposition of funds for the years then ended, in conformity with generally accepted accounting principles applied, except for the accounting changes described in Note 3, which we approve, on a consistent basis.—*Auditors' Report.*

Notes to Financial Statements

Note 3: Property, Facilities and Equipment—The segregation of property, facilities and equipment on December 31, 1969, by major operating function is as follows:

	Gross Investment	Reserves	Net Investment
Exploration and production	$1,739,661,000	$ 967,386,000	$ 772,275,000
Transportation	198,737,000	99,287,000	99,450,000
Manufacturing	403,480,000	203,973,000	199,507,000
Marketing	230,867,000	98,322,000	132,545,000
Natural gasoline plants	135,573,000	66,617,000	68,956,000
Other	76,944,000	28,347,000	48,597,000
Total	$2,785,262,000	$1,463,932,000	$1,321,330,000

The net investment in undeveloped oil and gas properties and leaseholds included above is $153,133,000. The costs of undeveloped leaseholds are amortized over the terms of the leases on a basis to provide, based on company experience, for abandonment of those which may be unproductive.

Depreciation and depletion of the cost of developed oil and gas properties, including intangible drilling costs which are capitalized, are provided on a unit-of-production basis. Effective January 1, 1969, the method of charging depreciation and depletion was changed from the previous individual-property basis to an operating-district basis, resulting in annual charges more closely related to the ratio of actual production to estimated available reserves. Also, under this depreciation and depletion method, the cost of individual property units abandoned or otherwise disposed of, less any proceeds, is now charged to the reserve accounts. Exploration costs and dry hole losses are substantially charged currently to income, except that, commencing January 1, 1969, geophysical costs on leases acquired as the result of petroleum exploration programs are being capitalized and amortized over the related lease terms, or, where leases are productive, on a unit-of-production basis.

The foregoing changes in accounting policies have had the effect of improving 1969 consolidated net income by approximately $9,258,000. Of the income tax charges relating to this amount, $4,554,000 has been offset by a like amount of tax reduction reported as extraordinary items (see Notes 2 and 8).

It is not practicable to summarize depreciation and amortization rates (which are generally applied on a straight-line basis) applicable to other assets because of the variety of properties and numerous rates used. These rates are reviewed annually and are revised as deemed necessary.

Except for oil and gas properties mentioned above, the cost of properties retired or otherwise disposed of is removed from the property accounts. Gains or losses on disposition of complete units are reflected currently in income; however, if material, such gains or losses are classified as extraordinary items. Gains or losses on disposition or retirement of minor facilities or partial units are treated as adjustments of the reserve accounts. Replacement costs of major portions of facilities and all betterments are capitalized. Expenditures for maintenance, repairs and minor replacements are charged currently to operating expenses.

TABLE 6-9: REFERENCES BY AUDITOR TO CONSISTENCY

Reason for Reference	1969	1968
Depreciation	27	33
Consolidation policy	12	22
Deferred taxes or investment credit	10	23
Inventory valuation	7	6
Development costs	5	2
Acquisitions	6	13
Other	17	19
Total	84	118
Number of Reports		
Basis of reporting not consistent with that of prior year:		
Accountant explicitly approves change	41	48
Accountant does not explicitly approve change	11	10
Subtotal	52	58
Consistent with prior year after restatement	21	37
No indication of lack of consistency in auditors' report	527	505
Total	600	600

To the Stockholders of Houdaille Industries, Inc.

We have examined the consolidated balance sheet of Houdaille Industries, Inc. and subsidiary companies as of December 31, 1969 and the related statements of consolidated income, consolidated retained earnings, consolidated paid-in capital and source and application 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.

In our opinion, such financial statements present fairly the financial position of the companies at December 31, 1969 and the results of their operations and source and application of their working capital for the year then ended, in conformity with generally accepted accounting principles applied (except for the change, which we approve, in depreciation method referred to in Note F to the financial statements) on a basis consistent with that of the preceding year.—*Accountants' Opinion.*

Notes to Financial Statements

Note F: Depreciation, Depletion, and Investment Credit—Depreciation is recorded in the accounts using both accelerated and straight-line methods applied to individual property items. For those assets which are depreciated on the straight-line method in the accounts and on an accelerated method for tax purposes, provision is made each year for the taxes which will be payable in future years.

Depletion is provided for book purposes at rates per ton calcu-

lated to amortize the residual book value of quarry lands over the remaining tons estimated to be recoverable.

During 1969, after a comprehensive study of its depreciation policies, the Corporation elected to depreciate, for financial reporting purposes, its newly acquired assets on a uniform basis utilizing straight-line methods. Previously a combination of accelerated and straight-line methods had been used. For tax purposes accelerated methods will continue to be followed. At the same time estimated useful lives for certain categories of asset additions were lengthened for both financial reporting and tax purposes. The effect of these changes was to increase 1969 net income by $296,000 or $.04 per share.

Investment credit of $522,000 for 1969 (including $80,000 from lengthened lives as noted above) has been included in the statement of consolidated income as a reduction of income tax expense.

Consolidation Policy

To the Board of Directors and Stockholders of
Dana Corporation

In our opinion, the accompanying consolidated balance sheet, and the related statements of consolidated income and consolidated net income retained for use in the business and the consolidated statement of source and use of funds, present fairly the financial position of Dana Corporation and consolidated subsidiaries at August 31, 1969, the results of their operations and the supplementary information on funds for the fiscal 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 majority-owned Canadian subsidiary as explained in Note 1 of Notes to Consolidated Financial Statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Accountants.*

Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation—All wholly-owned domestic subsidiaries of the Company and a majority-owned Canadian subsidiary are included in the consolidated financial statements. In fiscal 1969 the Company changed its consolidation policy to include the accounts of the majority-owned Canadian subsidiary. As a result of the change, 1969 net income was increased $613,000. The consolidated financial statements for fiscal 1968, as previously presented, have been restated for comparative purposes to include the financial statements of the majority-owned Canadian subsidiary. Such restatement did not have a significant effect on the net income previously reported.

To the Stockholders
Dennison Manufacturing Company

We have examined the consolidated financial statements of Dennison Manufacturing Company and subsidiaries for the year ended December 31, 1969. Our examination was made in accordance with generally 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, the accompanying balance sheet and statements of earnings, earnings reinvested and source and application of funds present fairly the consolidated financial position of Dennison Manufacturing Company and subsidiaries at December 31, 1969, and the consolidated results of their operations, changes in stockholders' equity, and source and application of funds for the year then ended, in conformity with generally accepted accounting principles, which, except for the consolidation of the accounts of the British subsidiary (with which we concur) as explained in Note A to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Note A: Principles of Consolidation—The financial statements reflect the consolidation of the accounts of the Company and all of its subsidiaries, including in 1969 the accounts of the 79.4% owned British subsidiary which was not previously consolidated; the operations of that subsidiary are not material and accordingly the consolidated financial statements for 1968 have not been restated.

The accounts of foreign subsidiaries have been translated at appropriate rates of exchange and the resulting gains and losses (not material in amount) were reflected in operations.

All significant intercompany accounts, transactions, and profits have been eliminated upon consolidation.

The Stockholders and Board of Directors
Whirlpool Corporation

We have examined the consolidated financial statements of Whirlpool Corporation and consolidated subsidiaries for the year ended December 31, 1969. Our examination was made in accordance with generally 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 of the preceding year which have been restated to give retroactive effect to the inclusion, which we approve, of subsidiaries as explained in a note to the financial statements. Information in respect of Appliance Buyers Credit Corporation is based upon financial statements of the subsidiary which were reported upon by other independent accountants.

In our opinion, based on our examination and to the extent indicated in the preceding paragraph on the report of other accountants, the accompanying balance sheet and statements of operations, stockholders' equity, and changes in working capital present fairly the consolidated financial position of Whirlpool Corporation and consolidated subsidiaries at December 31, 1969, and the consolidated results of their operations, changes in stockholders' equity, and changes in 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 as restated.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Principles of Consolidation—Effective December 31, 1969, the Corporation adopted the policy, retroactive to January 1, 1969, of consolidating the accounts of the Corporation and all subsidiaries except Appliance Buyers Credit Corporation (ABCC), a wholly-owned finance subsidiary. Financial statements for the year ended December 31, 1968, have been restated to conform to the presentation for 1969. This change had no effect upon the net earnings of either year.

The Corporation owns 57% of Warwick Electronics Inc. (a consolidated subsidiary) and has an option, expiring August 31, 1972, to purchase certain additional outstanding shares. In the event the option is exercised, the Corporation's equity will approximate 80%.

Carrying Basis of Inventories

To the Board of Directors
Keystone Consolidated Industries, Inc.

We have examined the consolidated balance sheet of Keystone Consolidated Industries, Inc. (formerly Keystone Steel & Wire Company) as of June 30, 1969, and the related consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the consolidated financial statements for the year ended June 30, 1968, which have been restated as described in Note B.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Keystone Consolidated Industries, Inc. at June 30, 1969 and 1968, and the results of its operations and source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, in which we concur, related to accounting for investment tax credits described in Note C.—*Auditors' Report.*

Notes to Consolidated Financial Statements

Note B: The Company has retroactively changed its method of investment in the Jefferson Trust and Savings Bank of Peoria from cost to cost plus equity in net earnings from date of acquisition and the financial statements for fiscal 1968 have been appropriately restated. As a result of this retroactive change in accounting, the equity in undistributed earnings of Jefferson at June 30, 1967 has been credited to consolidated retained earnings. Net earnings have been increased $195,419 ($.10 per share) and $333,256 ($.18 per share) for fiscal 1968 and 1969, respectively, as a result of this change.

Note C: The Company changed its method of accounting for the investment tax credit as of July 1, 1968. Investment tax credits on property additions are now being taken into income in the year the property is placed in service. Investment tax credits on property additions prior to July 1, 1968, were, and will continue to be, taken into income over the depreciable lives of the related property. The change in method of accounting for the investment tax credit increased earnings for the year ended June 30, 1969 by $243,319 or $.13 per share.

To the Stockholders and Board of Directors,
St. Regis Paper Company

We have examined the consolidated balance sheet of St. Regis Paper Company and consolidated subsidiaries as of December 31, 1969, and the related statements of consolidated earnings, preferred stock, common stock, consolidated capital surplus, and consolidated retained earnings, and summary of source and application of consolidated financial resources 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, such consolidated financial statements present fairly the financial position of the companies at December 31, 1969, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the change, which we approve, in method of accounting for the investment in Southland Paper Mills, Inc., explained in Note 2 to the financial statements) on a basis consistent with that of the preceding year, and the accompanying summary of source and application of consolidated financial resources presents fairly the information shown therein.—*Accountants' Opinion.*

Notes to Financial Statements

Note 2: Affiliated Companies—Investments in securities of and advances to subsidiaries not consolidated (except for subsidiaries in Argentina and Brazil), 50 percent owned companies, and joint ventures are stated at cost plus equity in undistributed earnings since dates of acquisition, and St. Regis' equity in the net earnings of such companies is included in consolidated net earnings. All other investments and advances are carried at cost.

In 1969 the company changed its method of accounting for its investment in Southland Paper Mills, Inc. (39 percent owned), from the cost to the equity method. Under the new method the investment is carried at cost, plus the equity in undistributed earnings since dates of acquisition, and less amortization over a 40-year period of the excess of cost over the equity in Southland's net assets at date of acquisition. As a result of the change, net earnings of the company for 1969 and 1968 and retained earnings at January 1, 1969 and 1968, were increased as follows:

	1969	1968
Net earnings	$1,887,000	$1,309,000
Retained earnings at January 1	$3,346,000	$2,037,000

Financial statements previously published for 1968 have been restated to reflect the change.

Investments in and advances to subsidiaries not consolidated, 50 percent owned companies, and other associated companies (less than 50 percent owned) aggregated $84,897,000 at December 31, 1969, of which $65,007,000 related to companies whose investments are stated at cost plus equity in undistributed earnings (adjusted for Southland Paper Mills, Inc., by amortization of excess cost as described in the preceding paragraph) since dates of acquisition ($50,140,000 of cost plus $14,867,000 of equity), and $19,890,000 relates to companies whose investments are carried at cost.

The equity in the net earnings of companies whose investments are stated at cost plus equity in undistributed earnings (as adjusted) since dates of acquisition exceeded the dividends received from such companies by $4,062,000 in 1969 and $2,271,000 in 1968. The equity in net earnings of companies whose investments are carried at cost exceeded the dividends received from such companies by $544,000 in 1969 and $827,000 in 1968.

To the Stockholders,
Texaco Inc.

We have examined the consolidated balance sheet of Texaco Inc. (a Delaware Corporation) and subsidiary companies as of December 31, 1969 and 1968, and the related statements of consolidated income, retained earnings and source and disposition of funds 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 financial statements present fairly the financial position of Texaco Inc. and subsidiary companies as of December 31, 1969 and 1968, and the results of their operations and the source and disposition of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change, which we approve, to the equity method of

accounting for investments in certain nonsubsidiary companies, as explained in Note 2 to the financial statements. —*Auditors' Report.*

Notes to Consolidated Financial Statements

Note 2: Investments and Advances—

	1969	1968
Nonsubsidiary companies (owned 50% or less)		
Western Hemisphere	$ 66,903,000	$ 65,968,000
Eastern Hemisphere	454,295,000	407,954,000
	$521,198,000	$473,922,000
Less reserve	26,800,000	26,800,000
	$494,398,000	$447,122,000
Miscellaneous investments long-term receivables, etc. less reserve	$109,129,000	$103,853,000
Total investments and advances	$603,527,000	$550,975,000

Effective January 1, 1969, the Company adopted the equity method of accounting for its investments in companies owned 50%, and in the Arabian American Oil Company, which is owned 30%. Under this method, equity in the earnings or losses of these nonsubsidiary companies is reflected currently in the Company's earnings rather than when realized through dividends. The Company's investments in these companies have been adjusted to reflect its equity in the book value of the underlying net assets of the companies. The financial statements for 1968 have been restated to a comparable basis with a reduction of $16,032,000 in net income from that previously reported and an increase in consolidated retained earnings at January 1, 1968, of $136,018,000, such amount representing the Company's equity in the net assets of these companies over the cost of the Company's investment at that date.

Investments in other nonsubsidiary companies are carried at cost, and amounted to $74,619,000 at December 31, 1969, and $71,707,000 at December 31, 1968. The Company's equity in the estimated net earnings of these companies exceeded dividends received from such companies in 1969 and 1968 by approximately $2,000,000 and $6,000,000 respectively. Equity in the underlying net assets of nonsubsidiary companies carried at cost exceeded the carrying value of the investment in such companies by approximately $26,000,000 and $23,000,000 as of December 31, 1969, and December 31, 1968, respectively.

Separate financial statements for certain 50%-owned nonsubsidiary companies are included in reports filed with the Securities and Exchange Commission.

Deferred Taxes

To the Board of Directors and Stockholders
Granite City Steel Company

In our opinion, the accompanying consolidated balance sheet, the related consolidated statements of operations, changes in common stockholders' equity, and changes in working capital present fairly the financial position of Granite City Steel Company and its subsidiaries at December 31, 1969, the results of their operations and the supplementary information on changes in working capital 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 accounting for deferred federal income taxes 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.*

Notes to Consolidated Financial Statements

Note 3: Income Taxes—The current provision for federal income taxes for 1969 includes a net refund of $1,475,000 arising from a tax operating loss carryback to 1966. Effective January 1, 1969, the company adopted the practice, which is approved under Opinion 11 of the Accounting Principles Board, of reducing the provision for deferred federal income taxes by investment credit carry-forwards to the extent that they would be allowable if such deferred taxes were payable currently. Prior to 1969, deferred income taxes were provided at statutory rates without giving consideration to investment tax credit carry-forwards. The effect of this change in 1969 was a reduction of the deferred federal income tax provision and a consequent increase in net income of $868,000.

At December 31, 1969 the company has approximately $4,500,000 of unused investment credit available to be carried forward and recognized in income. The carry-forward credits expire commencing in 1974 subject to possible extension under provisions of the Tax Reform Act of 1969.

The net balance of deferred federal income taxes of $33,066,000 at December 31, 1969, represents the tax effect of accumulated tax deductions claimed in excess of amounts charged to operations on the books, involving primarily depreciation deductions and deferred development expenses. This balance will decrease when net charges to operations exceed amounts claimed as tax deductions in future years.

Inventory Valuation

The Board of Directors and Shareholders
Burlington Industries, Inc.

We have examined the consolidated balance sheet of Burlington Industries, Inc. and subsidiary companies as of September 27, 1969 and the related statements of earnings and retained earnings and capital in excess of par value and the consolidated statement of source and application of funds for the period from September 28, 1968 to September 27, 1969. Our examination was made in accordance with generally 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 and capital in excess of par value present fairly the financial position of Burlington Industries, Inc. and subsidiary companies at September 27, 1969 and the results of their operations for the period from September 28, 1968 to September 27, 1969 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period, except for the change in the method of valuation of inventories, which we approve, as described in Note A to consolidated financial statements. Also, in our opinion, the accompanying consolidated statement of source and application of funds for the period from September 28, 1968 to September 27, 1969 presents fairly the information shown therein.—*Report of Independent Certified Public Accountants.*

Notes to Consolidated Financial Statements

Note A: Valuation of Inventories—During the current year in which examination of the Company's Federal income tax returns for 1965 and 1966 was concluded, the Internal Revenue Service initiated certain changes in the method of cost valuation of inventories, and effect has been given in the accounts to these changes through the year 1969. The adjustment applicable to fiscal years through September 28, 1968 has been credited to retained earnings with no restatement of prior year earnings because all prior years would be affected and the amount for individual years would not be significant. The effect for the current year resulting from this change in method is about a 1% increase in net earnings.

To the Board of Directors and Stockholders of Midwest Rubber Reclaiming Company

In our opinion, the accompanying consolidated balance sheet, the related statements of consolidated income and earnings retained in the business and the consolidated statement of source and application of funds present fairly the financial position of Midwest Rubber Reclaiming Company and its subsidiaries at October 31, 1969, the results of their operations and the supplementary information on funds 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 an alternative generally accepted accounting principle with respect to pricing of inventories as described in Note 2 to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Accountants.*

Notes to Financial Statements

Note 2: Change in Accounting Principles—Effective November 1, 1968 the company changed its method of inventory pricing from weighted average cost to LIFO for all inventories, except maintenance supplies and all inventories of its foreign subsidiary, the latter approximating $191,000. This change had the effect of reducing fiscal 1969 net income by approximately $85,000 ($.19 per share), after income tax effect of $95,000.

To the Shareholders and Directors of The United States Shoe Corporation

We have examined the consolidated balance sheets of The United States Shoe Corporation (an Ohio corporation (and subsidiaries as of October 31, 1969 and 1968, and the related consolidated statements of earnings, retained earnings, and source and application of funds 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 financial statements referred to in the preceding paragraph present fairly the financial position of The United States Shoe Corporation and subsidiaries as of October 31, 1969 and 1968, and the results of their operations and source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change to the first-in, first-out method of determining the cost of certain inventories, as explained in Note 2 to the consolidated financial statements.

Notes to Consolidated Financial Statements

Note 2: Inventories—Prior to October 31, 1969, one subsidiary used the last-in, first-out (LIFO) method of valuing certain of its inventories for both financial reporting and income tax purposes. In order to conform the inventory pricing procedures of this subsidiary with those of the Company and its other subsidiaries, the Company adopted, as of October 31, 1969, the procedure of reflecting the LIFO inventories on a first-in, first-out (FIFO) basis in the consolidated financial statements. The effect of this change has been applied retroactively and, as a result, consolidated retained earnings at October 31, 1967, have been increased by $476,221, and net earnings for the year ended October 31, 1968, have been decreased by $59,221 ($.01 per share), from amounts previously reported.

Pension Costs

Board of Directors The Timken Roller Bearing Company

We have examined the consolidated balance sheet of The Timken Roller Bearing Company and subsidiaries as of December 31, 1969, and the related consolidated statements of income and earnings invested in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and earnings invested in the business present fairly the consolidated financial position of The Timken Roller Bearing Company and subsidiaries at December 31, 1969, and the consolidated results of their operations and changes in shareholders' equity for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change (which we approve) in the method of accounting for pension costs as described in Note B to the financial statements.—*Accountants' Report.*

Notes to Financial Statements

Note B—The Company and its subsidiaries have several retirement annuity and pension plans covering substantially all employees. The total expense for these plans was $7,557,093 for 1969, and $11,602,396 for 1968. The Company's policy is to fund such pension costs. The assets of the pension funds as of December 31, 1969, exceeded the actuarially computed value of vested benefits.

During 1969, the Company changed its policy of amortizing prior service costs of the major plans from a ten-year to a twenty-five-year period. In addition, changes in actuarial assumptions (principally increasing assumed interest rates) and amendments to the plans, providing increased benefits, were made during the year. These changes, principally the change in amortization of prior service costs, had the effect of increasing 1969 net income by approximately $.20 per share.

Construction Type Contracts

To the Board of Directors and Shareholders, The American Ship Building Company

We have examined the consolidated balance sheets of The American Ship Building Company (a New Jersey corporation) and subsidiaries as of September 30, 1969 and 1968, and the related consolidated statements of income, shareholders' equity, and source and application of funds 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 consider necessary in the circumstances. We did not examine the financial statements of The Kinsman Marine Transit Company, a wholly-owned subsidiary, whose assets represent less than 15% of the total consolidated assets, but we were furnished with the report of other auditors on such financial statements.

In our opinion, based upon our examination and the report of other auditors referred to above, and subject to the collectibility of certain costs referred to in Note 1, the

above-mentioned financial statements present fairly the financial position of The American Ship Building Company and subsidiaries as of September 30, 1969 and 1968, and the results of their operations and the source and application of funds for the years 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 change, which we approve, from the completed-contract method of accounting for income to the percentage-of-completion method, as explained in Note 1 to the financial statements.—*Opinion of Independent Accountants.*

Notes to Consolidated Financial Statements

Note 1: Contracts—Revenues and costs applicable to certain long-term shipbuilding contracts are included in the statements of income as work progresses. Until 1969, profits were taken into income at the completion of the contracts while estimated losses were provided for in entirety as soon as recognized. In 1969, the Company retroactively changed from the completed-contract method to the percentage-of-completion method of accounting. This change had no effect upon income for the year ended September 30, 1969, or upon income previously reported for 1968. The Company has incurred, or is expected to incur, approximately $11,100,000 in costs over and above the contract prices on certain long-term contracts obtained in 1965 and 1966. Management feels that the Company is entitled to recovery of a substantial portion of these additional costs and is actively pursuing collection thereof. Several claims have been filed for recovery of these costs and other claims are in the process of being prepared. As the ultimate collectibility was and is uncertain, reserves of $5,700,000 against such costs were provided during the fiscal years ending in 1967 and 1968. The performance of such contracts may extend over several years, and revisions in the contract estimates during performance and upon final contract settlements have the effect of including in subsequent accounting periods, adjustments necessary to reflect the results indicated by these revised estimates.

Franchise Sales

To the Shareholders
Ward Foods, Inc.

We have examined the consolidated balance sheet of Ward Foods, Inc. and subsidiaries as of December 27, 1969, and the related statements of income, retained earnings, and capital stock and capital surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements (pages 18 to 24) present fairly the consolidated financial position of Ward Foods, Inc. and subsidiaries at December 27, 1969 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in accounting for initial franchise fee income, which we approve, as explained in the Notes to Financial Statements. —*Report of Certified Public Accountants.*

Notes to Financial Statements

The Consolidated Financial Statements (in part)—The accounts for 1969 reflect a change in the method of accounting for franchise sales. Prior to the change, the Company had principally followed the generally accepted industry-wide practice of recording as income initial franchise fees at the time the franchise agreements were signed. Under the new method, initial franchise fees for agreements currently in effect are recorded as income at the time the unit is delivered to the franchisee. As a result of this change, initial franchise fee revenues of $1,849,333 and related costs of $175,000 have been deferred at December 27, 1969.

The statements for 1968 have been restated to reflect the change in accounting method which resulted in a reduction of $1,784,250 of net sales, $927,973 of net income and $.31 of primary net income per share. Of the $1,784,250 reduction in sales, $775,500 was credited to deferred franchise income and the balance, which represented transactions subsequently cancelled, was credited to accounts and notes receivable.

Leases

To the Shareholders of
The Wurlitzer Company

We have examined the consolidated balance sheet of The Wurlitzer Company and subsidiaries as of March 31, 1969 and the related statements of consolidated earnings and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements present fairly the financial position of the companies at March 31, 1969 and the results of their operations and source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied (except for the changes, in which we concur, explained in Note 4 to the financial statements) on a basis consistent with that of the preceding year.—*Accountants' Opinion.*

Notes to Financial Statements

Note 4: Changes in Accounting Procedures—The Company made certain changes in accounting procedures during 1969 to comply with Opinions Nos. 5 and 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants.

The long-term leases under which the Company occupies plant facilities in Mississippi are now accounted for as installment purchases of property and the assets and corresponding liabilities are included in the accompanying balance sheet. The balance sheet as of March 31, 1968 has been restated to include these assets and liabilities on a comparable basis. A further addition of approximately $800,000 to the Mississippi plant facilities is now under construction under similar lease arrangements.

Prior to 1969, the Company provided deferred income taxes on differences in earnings determined for tax and financial accounting purposes resulting from variations in methods of computing depreciation and realized gross profit on installment sales. In 1969, the Company also recorded the income tax effect of the excess of provisions for losses on receivables over amounts expected to be deductible currently.

Net earnings for 1969 were increased approximately $301,000 as a result of these changes in accounting.

Development Costs

To the Shareholders and the Board of Directors of
Del Monte Corporation

In our opinion, the accompanying consolidated statement of financial position, and the related consolidated statements of earnings and changes in working capital present fairly the position of Del Monte Corporation and subsidiary companies at May 31, 1969, the results of their operations and the supplementary information on changes in working capital 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 method of accounting for expenditures on growing crops and after giving retroactive effect to the change in accounting for estimated federal, state and foreign taxes on income (which changes we approve) as explained in Notes C and D, respectively, of the notes to 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.*

Notes to Financial Statements

Note C: Accounting for Growing Crops—During the year ended May 31, 1969 the Corporation changed its method of accounting for development costs on perennial crops. Under the revised method, development costs are now written off over the productive life of the crop rather than in the year incurred. The effect of this change was to increase earnings for the year by $1,098,000 or $.09 per share.

Note D: Estimated Federal, State and Foreign Taxes on Income—In accordance with recent pronouncements by the accounting professions in the United States and Canada, the Corporation and its subsidiary companies have changed certain accounting practices with respect to taxes on income. These changes have been adopted on a retroactive basis and, accordingly, the accompanying consolidated financial statements for the year ended February 29, 1968 (and the financial data for the transition period March 1, 1968 to May 31, 1968–see Note B) have been restated to give recognition to the change, which did not have a material effect on the results of operations or the balance of earnings retained for use in the business. The accompanying financial statements also reflect reclassification of amounts payable under executive deferred compensation plans and the related income tax. This reclassification had no effect on results of operations.

To the Shareholders and Board of Directors,
Hoffman Electronics Corporation

We have examined the consolidated balance sheet of Hoffman Electronics Corporation (a California corporation) and subsidiaries as of December 31, 1969, and the related consolidated statements of income, common stock, additional paid-in capital and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain confirmation of receivables from the United States Government; however, we have applied other auditing procedures as to such receivables.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Hoffman Electronics Corporation and subsidiaries as of December 31, 1969, and the results of their operations and the source and application of funds 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 effect to the change (with which we concur) in the method of amortizing deferred research and development costs as indicated in Note 4 to the financial statements.—*Auditors' Report.*

Notes to Financial Statements

Note 4: Deferred Research and Development Costs—The Company follows the policy of capitalizing research and development costs applicable to specific product lines. In 1968 and certain other prior years, these costs were amortized to cost of sales over the total estimated number of units to be produced. During 1969, the Company changed its method of accounting for such costs to a more conservative one which provides for their deferral only to the extent that they can be realized based on firm orders. Accordingly, the Company charged retained earnings for $760,696 of deferred research and development costs which would have been charged to expense in 1966 had this method been followed in prior years. Since none of these amounts were chargeable to 1969 or 1968, the change in method does not affect net income for those years.

Exploration Costs

To the Stockholders and Board of Directors
Ashland Oil & Refining Company

We have examined the consolidated balance sheet of Ashland Oil & Refining Company and subsidiaries as of September 30, 1969, and the related statements of consolidated income, retained earnings, and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statements of income, retained earnings, and source and use of funds present fairly the consolidated financial position of Ashland Oil & Refining Company and subsidiaries at September 30, 1969, and the consolidated results of their operations, the changes in stockholders' equity, and the source and use of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the restated preceding year, except for the adoption (in which we concur) of an alternative policy of capitalization of oil and gas exploration costs for certain new areas as explained on pages 24 and 25 of this Annual Report.

Notes to Consolidated Financial Statements

Note A: Principles of Accounting—The summary of certain accounting policies of the Company, and information relating to inventories, net assets of foreign operations, and the effect of the adoption of an alternative accounting policy for certain exploration costs, presented on pages 24 and 25 of this Annual Report, is an integral part of these financial statements.

Accounting Policies (pages 24 and 25)

Exploratory and Development Costs—With respect to United States (except Alaska), Canadian, and Venezuelan oil and gas production operations, the Company charges to income currently all exploration costs which do not result in the acquisition or retention of acreage and all intangible costs of nonproductive wells.

During 1969 the Company began a major international exploration program in Libya, Indonesia and certain other areas. The Company also acquired participating interests in certain Alaskan leases. With respect to these new areas, the Company has adopted a policy of capitalizing all exploration costs, including both productive and nonproductive well drilling costs, applicable to the exploration for and development of oil and gas reserves. Income tax benefits resulting from the current deduction of certain of such costs for income tax purposes are being deferred as a reserve for possible loss on foreign operations. Although no oil and gas reserves have as yet been discovered in such areas, the Company intends to provide for depreciation, depletion and amortization of all such capitalized costs on a composite basis for each area on the unit-of-production method for the total reserves which may be developed. Net income for 1969, after providing for deferred income taxes, was increased approximately $550,000 (2.6¢ per share) as a result of the adoption of this policy. The application of this policy to years prior to 1969 would not have had a significant effect on net income for such years.

Several Changes of Acounting Method

To the Board of Directors and the Shareholders of
The Signal Companies, Inc.

We have examined the consolidated balance sheet of The Signal Companies, Inc. and its consolidated subsidiary companies as of December 31, 1969, and the related consolidated statements of income, shareholders' equity, and source and disposition of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to amounts included in the above-mentioned consolidated financial statements for Mack Trucks, Inc. and its subsidiaries, which amounts constitute substantial portions of the respective consolidated totals, we were furnished with the report of other accountants on their examination of the financial statements of such companies.

In our opinion, based on our examination and the report of other accountants referred to above, the above-mentioned balance sheet and statements of income, shareholders' equity, and source and disposition of funds present fairly the financial position of The Signal Companies, Inc. and its consolidated subsidiary companies at December 31, 1969, and the results of their operations and the source and disposition of their funds for the year then ended, in conformity with generally accepted accounting principles applied (except for the changes in accounting explained in Note 2) on a basis consistent with that of the preceding year.—***Opinion of Independent Certified Public Accountant.***

Notes to Financial Statements

Note 2: Changes in Accounting Methods—Effective January 1, 1969, The Garrett Corporation (a wholly owned subsidiary) commenced deferring costs applicable to certain product development programs (large programs which have a relatively long-term period between commencement of development and final shipment of expected production orders). Such costs are to be amortized on a unit basis as production shipments are made. As a result of this change in accounting method, net income for the year ended December 31, 1969 was increased by $12,644,000 (equivalent to $.61 a share). At December 31, 1969, such deferred costs amounted to $25,595,000.

Effective January 1, 1969, the straight-line method of depreciation and amortization was adopted by Garrett for financial statement purposes. Prior to this change, both accelerated and straight-line methods were used. As a result of this change in accounting method, net income for the year ended December 31, 1969 was increased by $1,604,000 (equivalent to $.08 a share).

Effective January 1, 1969, Signal discontinued the provision for unfunded past service costs for its retirement plan (except for interest related thereto) as the pension fund assets are in excess of the vested benefits. As a result of this change in accounting method, net income for the year ended December 31, 1969 was increased by $752,000 (equivalent to $.04 a share). Also refer to Note 9 for additional information concerning the plan.

Note 9: Retirement Plans—The companies have several retirement plans covering substantially all of their employees. Information concerning the plans at December 31, 1969 and for the year then ended is summarized as follows:

	December 31, 1969			
	Estimated Vested Benefits	Pension Fund Assets	Unfunded Past Service Costs	1969 Retirement Plan Expense
Signal Plan .	$12,500,000	$23,350,000	$ 3,700,000	$ 1,537,000
Garrett Plans	35,000,000	58,326,000	7,504,000	8,315,000
Mack Plans .	68,554,000	29,714,000	54,837,000	7,585,000
Other Plans .	—	1,190,000	—	168,000
Total				$17,605,000

The companies' policy is to fund pension costs accrued.

Retirement plan expense in 1969 includes an accrual for unfunded past service costs which are being provided for over remaining periods ranging from 20 to 30 years. Effective January 1, 1969, the Signal Plan discontinued accruing for past service costs (except for interest related thereto). See Note 2 for the effect of this change in accounting method. Signal and Garrett also changed certain actuarial assumptions relating to their plans which had the effect of increasing net income by $2,237,000 for the year ended December 31, 1969.

STATEMENTS EXAMINED

In past years the report rendered by an auditor on an examination of a company's financial statements usually covered a balance sheet, statements of income and retained earnings (frequently combined), and a statement of additional capital (or capital surplus). In recent years the report has also encompassed a statement of stockholders' equity (additional capital combined with retained earnings and/or capital stock) and, following the issuance of *Opinion 3* by the Accounting Principles Board, a funds statement. (See Section 5—Funds Statements in this volume.)

Table 6-10 shows the number of auditors' reports which refer to funds statements, and to other statements and schedules. Examples of references in auditors' reports to funds statements and other statements and schedules follow.

Funds Statements Referred to as Part of Presentation of Financial Statements and Results of Operations

Board of Directors
Colonial Sand & Stone Co., Inc.

We have examined the consolidated balance sheet of Colonial Sand & Stone Co., Inc. and its subsidiaries as of December 31, 1969 and the related consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned statements present fairly the consolidated financial position of Colonial Sand & Stone Co., Inc. and its subsidiaries at December 31, 1969, and the consolidated 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.*

To the Board of Directors
Giant Food Inc.

We have examined the consolidated balance sheet of Giant Food Inc. and all its subsidiary corporations as of April 26, 1969, and the related consolidated statements of earnings, capital stock, retained earnings, and sources and

TABLE 6-10: REFERENCES TO FUNDS STATEMENTS AND ADDITIONAL STATEMENTS OR SCHEDULES

Funds Statements Treated by Auditors as*	1969	1968	1967
A: Part of presentation of financial position and results of operations	7	12	N/C
B: Presentation along with financial position and results of operations	317	273	N/C
C: A supplemental schedule	152	158	N/C
Number of Companies			
Auditors refer to funds statement	476	443	413
Auditors do not refer to funds statement	72	92	111
No funds statement presented	52	65	76
Total	600	600	600
Other Statements Referred to*			
D: Finance or credit subsidiary	24	22	16
Other subsidiary(ies), or separate accounting entity	6	7	
Historical summary	5	5	6
Other schedule or statement	8	2	2
Total	43	36	24
Additional Auditors' Reports Presented*			
E: Finance or Credit subsidiary	5	5	N/C
F: Other subsidiary	5	7	N/C
G: Pension fund, etc.	4	3	N/C
Total	14	15	

*See Company Appendix Section—A: 649; B: 26, 187, 257, 306, 510, 615; C: 52, 130, 207, 473, 714; D: 236, 668; E: 167; F: 138; G: 570.

application of funds for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements (together with the notes to the financial statements) present fairly the consolidated financial position of Giant Food Inc. and all its subsidiary corporations at April 26, 1969, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report.*

Board of Directors and Stockholders
The Standard Register Company

We have examined the balance sheet of The Standard Register Company as of January 4, 1970 and the related statements of income, retained earnings, capital in excess of par value and funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements referred to above present fairly the financial position of The Standard Register Company at January 4, 1970 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.*

Funds Statement Presented Along with Financial Position and Results of Operations

Board of Directors and Shareholders
Archer Daniels Midland Company

We have examined the consolidated statement of financial position of Archer Daniels Midland Company and its subsidiaries as of June 30, 1969 and the related statements of consolidated earnings and reinvested earnings and summary of changes in 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. We have previously made a similar examination of the prior year financial statements.

In our opinion, the accompanying statements of financial position, earnings and reinvested earnings and changes in working capital present fairly the consolidated financial position of Archer Daniels Midland Company and its subsidiaries at June 30, 1969 and 1968 and the consolidated results of their operations, changes in shareholders' equity and changes in working capital for years ended those dates, in conformity with generally accepted accounting principles consistently applied.—*Accountants' Report.*

To the Board of Directors and Stockholders of
Ford Motor Company

We have examined the consolidated balance sheet of Ford Motor Company and consolidated subsidiaries as of December 31, 1969, and the related consolidated statements of income, capital account in excess of par value of stock, earnings retained for use in the business and changes in 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. We previously examined and reported upon the financial statements of Ford Motor Company and Consolidated Subsidiaries for the year ended December 31, 1968.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Ford Motor Company and consolidated subsidiaries at December 31, 1969 and 1968, and the consolidated results of operations and the changes in working capital for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Opinion.*

Monsanto Company

We have examined the accompanying consolidated financial statements (pages 12 through 19) of Monsanto Company and its subsidiary companies for the year ended

December 31, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Monsanto Company and its subsidiaries at December 31, 1969 and the results of their operations and source and application of their funds 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.*

Stockholders and Board of Directors
National Gypsum Company

We have examined the consolidated financial statements of National Gypsum Company and subsidiaries for the year ended December 31, 1969. Our examination was made in accordance with generally 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, retained earnings, and funds, present fairly the consolidated financial position of National Gypsum Company and subsidiaries at December 31, 1969, and the consolidated results of their operations, changes in stockholders' equity and source and use of funds 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 which we concur, in providing for depreciation as described in Notes to Financial Statements.—*Report of Independent Accountants.*

To the Board of Directors and Stockholders
Richford Industries, Inc.

In our opinion, the accompanying consolidated balance sheet and the related statements of income and retained earnings, capital surplus, and changes in working capital present fairly the financial position of Richford Industries, Inc. and subsidiaries at December 31, 1969, the results of their operations and changes in working capital for the year, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Accountants' Report.*

Funds Statements Presented as Supplementary to Financial Position and Results of Operations

To the Stockholders and Directors of
Campbell Soup Company

In our opinion, the accompanying consolidated balance sheet, the consolidated statements of income and income retained and the summary of changes in working capital present fairly the financial position of Campbell Soup Company and its consolidated subsidiaries at August 3, 1969, the results of their operations for the fiscal year and the supplementary information on changes in working capital for the current and last five years, in conformity with generally accepted accounting principles applied on a basis consistent with those of the preceding years. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Accountants.*

To the Board of Directors and Shareholders,
Harnischfeger Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income and retained earnings present fairly the financial position of Harnischfeger Corporation and its consolidated subsidiaries at October 31, 1969 and the results of their operations for the year, and the accompanying balance sheet and the related statement of income and retained earnings of Harnischfeger Credit Corporation present fairly its financial position at October 31, 1969 and the results of its operations for the year, all 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 income taxes as explained in Note 3 of the Financial Notes. 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.

Our examination also encompassed the consolidated statement of source and application of funds for the year ended October 31, 1969 which is presented as supplementary information and, in our opinion, that statement presents fairly the information shown therein.—*Opinion of Independent Accountants.*

To 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 January 31, 1970 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 previously examined and reported upon the consolidated financial statements of the Company and its subsidiaries for the year ended January 31, 1969.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of J. J. Newberry Co. and subsidiaries at January 31, 1970 and 1969, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have made a similar examination of the consolidated statement of source and application of funds which, in

our opinion, when considered in relation to the basic financial statements, presents fairly the source and application of funds of J. J. Newberry Co. and subsidiaries for the year ended January 31, 1970.—*Auditors' Report.*

A. E. Staley Manufacturing Company

We have examined the consolidated balance sheet of A. E. Staley Manufacturing Company and subsidiaries as of September 30, 1969, the related statement of consolidated income and earnings reinvested, and the summary of changes in 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.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earnings reinvested present fairly the financial position of the companies at September 30, 1969 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; and the accompanying summary of changes in consolidated working capital presents fairly the information shown therein.—*Accountants' Opinion.*

Auditors' Reports Include Opinion on Separate Statements of Subsidiaries

The Board of Directors
Anderson, Clayton & Co.

We have examined the consolidated balance sheet of Anderson, Clayton & Co. and consolidated subsidiaries as of June 30, 1969, the combined balance sheet of the Latin American subsidiaries of Anderson, Clayton & Co. as of June 30, 1969 and the related statements of income and retained earnings for the eleven months then ended. We have also examined the balance sheet of Anderson Clayton Finance Corp. as of June 30, 1969. 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 respective financial positions of Anderson, Clayton & Co. and consolidated subsidiaries and of the combined Latin American subsidiaries of Anderson, Clayton & Co. at June 30, 1969 and the results of their operations for the eleven months then ended, and the financial position of Anderson Clayton Finance Corp. at June 30, 1969, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report.*

Armco Steel Corporation,
Its Shareholders and Directors

We have examined the statement of consolidated financial position of Armco Steel Corporation and subsidiary companies as of December 31, 1969 and the related statements of consolidated income and shareholders' equity for the year then ended, and the supplemental schedules of properties and accumulated depreciation, and source and use of funds, as of that date and for that year. We have also examined the statement of consolidated financial position of Armco/Boothe Corporation and subsidiaries and the related statement of consolidated income and income retained in the business for the period from January 6, 1969 (date of inception) to December 31, 1969. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of HITCO and subsidiaries, but we were furnished with the report of other accountants on their examination of such statements for the year ended October 31, 1969. Our opinion expressed below, insofar as it relates to the amounts included for HITCO and subsidiaries, is based solely upon such report.

In our opinion, the accompanying financial statements and supplemental schedules present fairly (a) the financial position of Armco Steel Corporation and subsidiary companies at December 31, 1969 and the results of their operations and properties and accumulated depreciation and the source and use of funds for the year then ended and (b) the financial position of Armco/Boothe Corporation and subsidiaries at December 31, 1969 and the results of their operations for the period then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Opinion.*

Board of Directors,
Associated Dry Goods Corporation,

We have examined the accompanying consolidated balance sheet of Associated Dry Goods Corporation and consolidated subsidiaries as of January 31, 1970, and the related statements of earnings, shareholders' equity and changes therein and working capital changes for the 52 weeks then ended. We have also examined the balance sheet of Associated Dry Goods Credit Corporation as of January 31, 1970. 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 consolidated financial statements referred to above present fairly the financial position of Associated Dry Goods Corporation and consolidated subsidiaries at January 31, 1970, and the results of their operations and the working capital changes for the 52 weeks then ended, as well as the financial position of Associated Dry Goods Credit Corporation at January 31, 1970, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report.*

The Board of Directors and Stockholders
Fedders Corporation

We have examined the accompanying consolidated balance sheet of Fedders Corporation at August 31, 1969 and the related consolidated statements of income, earned

surplus and source and disposition of funds for the year then ended. We have also examined the accompanying balance sheet of Fedders Financial Corporation at August 31, 1969 and the related statement of income and earned surplus for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly (1) the consolidated financial position of Fedders Corporation at August 31, 1969, the consolidated results of operations and the consolidated source and disposition of funds for the year then ended and (2) the financial position of Fedders Financial Corporation at August 31, 1969 and the results of operations for the year then ended, each in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Certified Public Accountants.*

To the Board of Directors and Stockholders of Kraftco Corporation

We have examined the consolidated balance sheets of Kraftco Coporation (a Delaware corporation) and subsidiaries as of December 27, 1969 and December 28, 1968, and the related consolidated statements of income, retained earnings and source and application of funds for the years then ended. We have also examined the statements of financial position and income of International subsidiaries other than Canadian. 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 consolidated financial statements present fairly the financial position of Kraftco Corporation and subsidiaries as of December 27, 1969 and December 28, 1968, and the results of their operations and source and application of funds for the years then ended, and the accompanying financial statements of International Subsidiaries other than Canadian present fairly the financial position and results of operations of such subsidiaries, all in conformity with generally accepted accounting principles consistently applied during the periods.—*Auditors' Report.*

Shareholders and Board of Directors White Motor Corporation

We have examined the financial statements of White Motor Corporation and consolidated subsidiaries and of The White Motor Credit Corporation and subsidiary for the year ended December 31, 1969. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made similar examinations of the financial statements for the preceding year.

In our opinion, the accompanying balance sheets and statements of income, retained income, capital in excess of par value, and income and retained income present fairly the consolidated financial position of White Motor Corporation and consolidated subsidiaries and of The White Motor Credit Corporation and subsidiary at December 31, 1969, and the consolidated results of their operations and changes in shareholders' equity 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.*

Auditors' Reports Include Opinion on Schedules or Other Matters

To the Board of Directors and the Stockholders of ACF Industries, Incorporated

In our opinion, the accompanying consolidated balance sheet, the related consolidated statements of income and earned surplus and the summary of changes in working capital present fairly the consolidated financial position of ACF Industries, Incorporated and its subsidiaries at December 31, 1968 and at December 31, 1969 and the results of their operations and the supplementary information on changes in working capital for the two years then ended, in conformity with generally accepted accounting principles consistently applied. Also, in our opinion, the ten-year statistical summary presents fairly the financial information included therein. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Accountants.*

The Board of Directors and Stockholders Avco Corporation

We have examined the accompanying statement of consolidated financial position of Avco Corporation at November 30, 1969 and the related statements of earnings, stockholders' equity and working capital for the year then ended. We have also examined the statements of combined financial position of its unconsolidated finance subsidiaries at November 30, 1969 and of its unconsolidated insurance subsidiaries at December 31, 1969 and the related statements of earnings for the years then ended. Our examinations of the financial statements of Avco Corporation and its subsidiaries other than Seaboard Finance Company and its subsidiaries were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm amounts due on U.S. government contracts, as to which we have employed other auditing procedures. We have received the report of other certified public accountants with respect to their examination of the financial statements of Seaboard Finance Company and its subsidiaries.

In our opinion, based on our examinations and the report of other certified public accountants referred to above, the statements mentioned above present fairly the consolidated and combined financial positions of Avco Corporation and of its unconsolidated finance subsidiaries at November 30, 1969 and of its unconsolidated insurance subsidiaries at December 31, 1969 and the results of opera-

tions and the sources and uses of consolidated working capital for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after restatement of that year for the change in consolidation policy described in the Financial Review. Further in our opinion, the business line analysis in the Financial Review is fairly stated in all respects material to the above described financial statements taken as a whole.—*Report of Certified Public Accountants.*

The Board of Directors
Champion Spark Plug Company

We have examined the consolidated balance sheet of Champion Spark Plug Company and subsidiaries as of December 31, 1969, and related statement of consolidated earnings and retained earnings and the statement of consolidated source and application of funds for the year then ended, and the condensed consolidated balance sheet as of January 1, 1970 (reflecting the merger of The DeVilbiss Company as of that date). 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 consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of Champion Spark Plug Company and subsidiaries at December 31, 1969 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 consolidated source and application of funds for the year ended December 31, 1969, and the condensed consolidated balance sheet as of January 1, 1970, present fairly the information shown therein.—*Accountants' Report.*

To the Directors and Shareholders of
General Host Corporation

We have examined the consolidated balance sheet of General Host Corporation and subsidiary companies at December 27, 1969 and related consolidated statements of income, changes in shareholders' equity and source and application of funds 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.

Earnings per share have been computed in accordance with pronouncements of the Accounting Principles Board which required restating primary net income per share reported for 1968 resulting in an increase of $.10 per share.

As described in Note 2 there has been a decline in the market value of The Greyhound Corporation common stock, which may affect the market value of Greyhound securities held by General Host. As described in Note 3 interest due on notes receivable from The Goldfield Corporation and a subsidiary is in arrears.

In our opinion, subject to ultimate realization of the carrying value of the Greyhound securities and of notes receivable from The Goldfield Corporation and subsidiary referred to in the previous paragraph, the accompanying consolidated financial statements present fairly the financial position of General Host Corporation and subsidiary companies at December 27, 1969 and the results of their operations and supplementary information on funds for the fiscal year then ended in conformity with generally accepted accounting principles. These principles were applied on a basis consistent with that of the preceding year restated to reflect the change in calculating earnings per share, which we approve as referred to above.

We have also examined the pro forma consolidated balance sheet at December 27, 1969, which was prepared by adjusting the consolidated balance sheet of General Host Corporation at December 27, 1969 for the transactions described in the Note thereto as if they had occurred at that date. In our opinion, this pro forma balance sheet has been properly compiled on the basis set forth in the Note thereto.—*Opinion of Independent Accountants.*

February 11, 1970. (Except as to the suit described in Note 13 for which the date is February 24, 1970 and as to sale of the Armour Investment referred to in Note 2 for which the date is May 14, 1970).

Separate Auditors' Reports on Subsidiaries or Other Matters

To the Trustees of the Pension Trust of
Bethlehem Steel Corporation

In our opinion, the accompanying statement of assets and statement of changes in the Fund present fairly the assets of the Pension Fund under the Pension Trust of Bethlehem Steel Corporation and Subsidiary Companies at December 31, 1969 and the changes in the Fund during 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, including confirmation by the custodian of investments owned at December 31, 1969.—*Opinion of Independent Accountants.*

To the Stockholders and Board of Directors of
Carrier Corporation

We have examined the balance sheet of Distribution Credit Corporation (a Delaware corporation) as of October 31, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the balance sheet for the preceding year.

In our opinion, the accompanying balance sheet presents fairly the financial position of Distribution Credit Corporation as of October 31, 1969, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report.*

To the Board of Directors
Interstate Factors Corporation

We have examined the balance sheet of Interstate Factors Corporation as at June 28, 1969. Our examination was made in accordance with generally 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 adequacy of the reserve for loss commented upon in Note A, the accompanying balance sheet presents fairly the financial position of Interstate Factors Corporation at June 28, 1969, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year—*Accountants' Report.*

Notes to Balance Sheet

Note A—A substantial portion of the factored accounts receivable results from sale made by Reeves Brothers, Inc. (parent company) and its subsidiaries.

Receivables (current and non-current) include advances to a client of approximately $2,000,000, which are collateralized by inventory. A reserve for loss of $500,000 has been provided against these advances. The Company has no information which would cause it to conclude that a loss in excess of $500,000 will be incurred with respect to these advances. However, the extent of the loss is dependent upon the results of the client's future operations, which are not presently determinable.

To the Board of Directors of
Sears, Roebuck and Co.

We have examined the accompanying Statement of Financial Position of Allstate Insurance Company and consolidated subsidiaries as of December 31, 1969, and the related 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.

In our opinion, the financial statements referred to above present fairly the financial position of Allstate Insurance Company and consolidated subsidiaries at December 31, 1969, and 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. Report.*

To the Shareholders,
The Sherwin-Williams Company of Canada, Limited

We have examined the consolidated balance sheet of The Sherwin-Williams Company of Canada, Limited and its subsidiaries as of August 31, 1969, 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, these consolidated financial statements present fairly the consolidated financial position of The Sherwin-Williams Company of Canada, Limited and its subsidiaries at August 31, 1969, 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*

REFERENCE TO PRIOR YEAR EXAMINATIONS

Table 6-11 shows references by auditors to their prior year examinations. Examples of such references follow:

To the Board of Directors and Shareholders,
Arvin Industries, Inc.

We have examined the consolidated statement of financial condition of Arvin Industries, Inc. and its subsidiaries as of December 28, 1969, and the related consolidated statements of operations and retained earnings, capital in excess of par value, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company and its subsidiaries for the year 1968.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of Arvin Industries, Inc. and subsidiaries at December 28, 1969, and the results of their operations and source and application of funds 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.*

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 28, 1969, the related consolidated statements of earnings, retained earnings, additional capital and source and disposition of consolidated working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and

TABLE 6-11: REFERENCES TO PRIOR YEAR EXAMINATIONS

Number of Companies	1969	1968
No reference to prior year examination	410	407
Reference to prior year examination	182	181
Reference to historical summary	5	5
Other	3	7
Total	600	600

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 from the U.S. government, as to which we applied other auditing procedures. We have previously made a similar examination of the consolidated financial statements for 1968 as to which our opinion was qualified as to the realization of certain inventories and receivables.

As discussed in Notes 2 and 3, the Company is faced with contingencies of extraordinary magnitude arising from disputes with, and claims against, the U.S. government as well as uncertainty as to its commercial TriStar program. These items are material to both the financial position and the results of operations of the Company and their resolution may significantly affect its future.

In our opinion, subject to the effect of the matters referred to in the preceding paragraph, the statements mentioned above present fairly the consolidated financial position of Lockheed Aircraft Corporation and subsidiaries at December 28, 1969, the consolidated results of their operations and the source and disposition of their consolidated 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.—*Auditors' Report.*

To the Board of Directors
Merck & Co., Inc.:

We have examined the consolidated balance sheets of Merck & Co., Inc. and subsidiaries as of December 31, 1969 and 1968 and the related statements of income, retained earnings, other paid-in capital, and source and application of funds for the years then ended, and the summary of consolidated income and dividends for the ten years ended December 31, 1969. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Calgon Corporation and subsidiaries for the four years ended December 31, 1963, which statements were examined by other independent accountants whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included in the summary of consolidated income and dividends for Calgon Corporation and subsidiaries for those years, is based upon such report.

In our opinion, the accompanying consolidated balance sheets, statements of income, retained earnings, other paid-in capital, and source and application of funds present fairly the consolidated financial position of Merck & Co., Inc. and subsidiaries at December 31, 1969 and 1968 ,the consolidated results of their operations and sources and applications of funds for the years then ended; and the summary of consolidated income and dividends present fairly the information shown therein, and all are in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Certified Public Accountants.*

With regard to situations in which an auditor has not examined prior year's statements, Chapter 10 of Statement No. 33 states in part:

> 48. Where financial statements for the prior year are presented for comparative purposes the independent auditor need not extend his opinion to cover them; where he has not made an examination of the prior year's statements, there should be appropriate disclosure in the statement or in the auditor's report. Where the independent auditor presently has significant exceptions or reservations as to the prior year's statements, he should make appropriate disclosure in his report. Where he has made an examination for the prior year, he may prefer to disclose this fact by an addition to the standard scope paragraph stating that he has previously examined and reported on the prior year's statements.

Examples of auditor references to another auditor's examination of prior year's statements follow.

Shareholders and Board of Directors
MWA Company

We have examined the consolidated financial statements of MWA Company (formerly Mid-West Abrasive Company) and subsidiaries for the year ended June 30, 1969. Our examination was made in accordance with generally 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 preceding year were examined by other independent accountants.

In our opinion, the accompanying balance sheet and statements of operations, additional capital and retained earnings, and changes in working capital present fairly the consolidated financial position of MWA Company and subsidiaries at June 30, 1969, and the consolidated results of their operations and changes in shareholders' equity and 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.—*Accountants' Report.*

To the Shareholders and Directors
Marlene Industries Corporation

We have examined the consolidated balance sheet of Marlene Industries Corporation and subsidiaries as of January 31, 1970 and the related statement of consolidated income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It is not the general practice of chain and department stores to confirm balances of accounts receivable from them; however, we satisfied ourselves by other auditing procedures as to these amounts.

The consolidated financial statements of the Company and its subsidiaries for the preceding year were examined by another firm of independent public accountants.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Marlene Industries Corporation and subsidiaries as of January 31, 1970 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.*

To the Board of Directors and Stockholders of Westinghouse Electric Corporation

In our opinion, the financial statements shown on pages 27 to 33, inclusive, present fairly the financial position of Westinghouse Electric Corporation and its consolidated subsidiaries at December 31, 1969, the results of their operations and the supplementary information on funds for the year, and the financial position of Westinghouse Credit Corporation at December 31, 1969 and the results of its operations for the year, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of Westinghouse Electric Corporation and Westinghouse Credit Corporation for the year 1968 were examined by other independent accountants.—*Opinion of Independent Accountants.*

NUMBER OF ACCOUNTING FIRMS PRESENTED

There were 72 certified public accounting firms represented among the 600 companies included in the current survey. This is a net decrease of three for the year 1969.

It was noted that 18 companies had made a change of auditors during the year. 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

(In this edition, companies have been assigned the same number as in the Twenty-third (1969) edition. Fifteen companies included in the 1969 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers from 701 to 715, inclusive. Companies numbered out of alphabetical order are shown *in italics* and have been given an additional listing in alphabetical order.)

Co. No.		*Month in which fiscal year ends
	ACF Industries, Incorporated—*see 3*	
	AMF, Inc.—*see 33*	
	AMK Corporation—*see 601*	
	AMP Incorporated and Pamcor, Inc.—*see 49*	
	ASG Industries, Inc.—*see 40*	
1	Abbott Laboratories	12
3	*ACF Industries, Incorporated*	12
4	Acme Markets, Inc.	3
5	Adams-Millis Corporation	12
6	Addressograph Multigraph Corporation	7
7	Admiral Corporation	12
	Aerosol Techniques, Incorporated—*see 602*	
8	Air Products and Chemicals, Inc.	9
9	Air Reduction Company, Incorporated	12
10	Alan Wood Steel Company	12
	Albertson's, Inc.—*see 603*	
11	Allegheny Ludlum Steel Corporation	12
13	Allied Chemical Corporation	12
15	Allied Mills, Inc.	6
16	Allied Stores Corporation	1
17	Allis-Chalmers Manufacturing Company	12
18	Alpha Portland Cement Company	12
19	Aluminum Company of America	12
20	The Amalgamated Sugar Company	9
21	Amerada Hess Corporation	12
22	American Air Filter Company, Inc.	10
23	American Bakeries Company	12
24	American Bank Note Company	12
25	American Biltrite Rubber Co., Inc.	12
	American Brands, Inc.—*see 45*	
	American Building Maintenance Industries —*see 605*	
26	American Can Company	12
27	American Chain & Cable Company, Inc.	12
28	American Cyanamid Company	12
29	The American Distilling Company	9
	American Electronic Laboratories, Inc.—*see 701*	
30	American Enka Corporation	12
31	American Home Products Corporation	12
32	American Hospital Supply Corporation	12
33	American Machine & Foundry Company	12
34	American Maize-Products Company	12
35	American Metal Climax, Inc.	12
36	American Motors Corporation	9
39	*American Standard Inc.*	12

Co. No.		*Month in which fiscal year ends
40	American Saint Gobain Corporation	12
41	American Seating Company	12
42	The American Ship Building Company	9
43	American Smelting and Refining Company	12
	American Standard Inc.—*see 39*	
44	American Sugar Company	6
45	*American Brands, Inc.*	12
46	American Zinc Company	6
47	Ametek, Inc.	12
	Ampco Metal, Inc.—*see 50*	
48	Ampex Corporation	4
49	*AMP Incorporated and Pamcor, Inc.*	12
50	*Ampco Metal, Inc.*	12
51	Amsted Industries Incorporated	9
52	The Anaconda Company	12
	Anchor Coupling Co. Inc.—*see 606*	
53	Anchor Hocking Corporation	12
55	Anderson, Clayton & Co.	6
56	Anheuser-Busch, Incorporated	12
	The Ansul Company—*see 607*	
57	Apco Oil Corporation	12
58	Archer Daniels Midland Company	6
59	Arden-Mayfair, Inc.	12
60	Armco Steel Corporation	12
61	Armour and Company	10
62	Armstrong Cork Company	12
64	The Arundel Corporation	12
65	Arvin Industries, Inc.	12
66	Ashland Oil & Refining Company	9
67	Associated Brewing Company	12
68	Associated Dry Goods Corporation	1
	Associated Products, Inc.—*see 651*	
69	Atlantic Richfield Company	12
70	Atlas Chemical Industries, Inc.	12
71	Avco Corporation	11
72	Avon Products, Inc.	12
73	The Babcock & Wilcox Company	12
74	Baker Oil Tools, Inc.	9
75	The Barden Corporation	10
	Barton Brands, Inc.—*see 609*	
	Barton Distilling Company—*see 609*	
76	Basic Incorporated	12
77	Bates Manufacturing Company, Incorporated	12
78	Bath Industries, Inc.	12
79	Bausch & Lomb Incorporated	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
80	Bayuk Cigars Incorporated	12
81	Beatrice Foods Co.	2
83	Beech Aircraft Corporation	9
	Belden Corporation—*see 610*	
84	*Squibb Beech-Nut, Inc.*	12
85	Belding Heminway Company, Inc.	12
86	Bell & Howell Company	12
87	Bemis Company, Inc.	12
88	The Bendix Corporation	9
89	Bethlehem Steel Corporation	12
	Bird & Son, Inc.—*see 92*	
91	The Black and Decker Manufacturing Company	9
92	*Bird & Son, Inc.*	12
95	Bliss & Laughlin Industries Incorporated	12
96	Blue Bell, Inc.	9
	Bobbie Brooks, Incorporated—*see 611*	
97	The Boeing Company	12
98	The Bohack Corporation	1
	Boise Cascade Corporation—*see 612*	
	Bond Industries, Inc.—*see 99*	
99	Bond Stores, Incorporated	7
100	Borden, Inc.	12
101	Borg-Warner Corporation	12
102	Botany Industries, Inc.	7
	Brenco, Incorporated—*see 652*	
103	Briggs & Stratton Corporation	6
104	The Bristol Brass Corporation	12
105	Bristol-Myers Company	12
106	Brockway Glass Company, Inc.	12
107	Brown & Sharpe Manufacturing Company	12
108	Brown Shoe Company, Inc.	10
109	Brunswick Corporation	12
	Buckbee-Mears Company—*see 653*	
110	Bucyrus-Erie Company	12
111	The Budd Company	12
113	Burlington Industries, Inc.	9
114	Burndy Corporation	12
115	Burroughs Corporation	12
	CPC International, Inc.—*see 172*	
116	*Del Monte Corporation*	5
118	Campbell Soup Company	7
120	Cannon Mills Company	12
122	The Carborundum Company	12
123	Carnation Company	12
124	Carrier Corporation	10
126	Caterpillar Tractor Co.	12
127	Celanese Corporation	12
128	Central Soya Company, Inc.	8
129	Century Electric Company	12
130	Certain-Teed Products Corporation	12
131	The Cessna Aircraft Company	9
133	Champion Spark Plug Company	12
134	Chemetron Corporation	12
135	Cherry-Burrell Corporation	10
	Chicago Bridge & Iron Company—*see 654*	
136	Chicago Pneumatic Tool Company	12
137	Chock Full O'Nuts Corporation	7
138	Chrysler Corporation	12
139	Cities Service Company	12
140	City Stores Company	1
141	Clark Equipment Company	12
	Clarostat Mfg. Co., Inc.—*see 615*	

Co. No.		*Month in which fiscal year ends
142	The Cleveland-Cliffs Iron Company	12
144	Cluett, Peabody & Co., Inc.	12
145	The Coca-Cola Company	12
146	Colgate-Palmolive Company	12
147	Collins & Aikman Corporation	2
148	Collins Radio Company	7
	Colonial Sand & Stone Co., Inc.—*see 655*	
149	Colonial Stores Incorporated	12
150	*Great Western United Corporation*	5
151	Colt Industries Inc.	12
152	Columbia Broadcasting System, Inc.	12
153	Combustion Engineering, Inc.	12
154	Commercial Solvents Corporation	12
157	*North American Philips Corporation*	12
158	Consolidated Foods Corporation	6
159	*Sears Industries Inc.*	12
160	Consolidated Packaging Corporation	12
163	Continental Can Company, Inc.	12
165	Continental Oil Company	12
166	Continental Steel Corporation	12
167	Control Data Corporation	6
168	Cook Paint and Varnish Company	11
169	Cooper Industries, Inc.	12
170	Copperweld Steel Company	12
171	Corning Glass Works	12
172	*CPC International, Inc.*	12
173	Craddock-Terry Shoe Corporation	9
174	Crane Co.	12
175	Crown Central Petroleum Corporation	12
176	Crown Cork & Seal Company, Inc.	12
177	Crown Zellerbach Corporation	12
180	Cummins Engine Company, Inc.	12
183	Curtiss-Wright Corporation	12
184	Cutler-Hammer, Inc.	12
185	Cyclops Corporation	12
186	Dan River Mills, Incorporated	12
	Dana Corporation—*see 656*	
	Dart Industries Inc.—*see 467*	
187	Dayco Corporation	10
188	Deere & Company	10
	Del Monte Corporation—*see 116*	
189	Dennison Manufacturing Company	12
	Detecto Scales, Inc.—*see 657*	
190	Detroit Steel Corporation	12
191	Diamond International Corporation	12
	Diamond Shamrock Corporation—*see 658*	
193	Dictaphone Corporation	12
195	Walt Disney Productions	9
197	The Dow Chemical Company	12
	Doyle Dane Bernbach Inc.—*see 616*	
198	Dravo Corporation	12
199	Dresser Industries, Inc.	10
201	*The Duplan Corporation*	9
202	E. I. du Pont de Nemours & Company	12
	The Duplan Corporation—*see 201*	
	ELTRA Corporation—*see 213*	
	ESB Incorporated—*see 210*	
204	Eagle-Picher Industries, Inc.	11
	Easco Corporation—*see 206*	
205	The Eastern Company	12
206	*Easco Corporation*	12
207	Eastman Kodak Company	12
208	Eaton Yale & Towne Inc.	12
	Electric Hose & Rubber Company—*see 617*	

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
210	*ESB Incorporated*	3
213	*ELTRA Corporation*	9
214	Emerson Electric Co.	9
215	Emhart Corporation	12
216	Endicott Johnson Corporation	1
	Engelhard Minerals & Chemicals Corporation—*see 659*	
	Ethyl Corporation—*see 660*	
218	Evans Products Company	12
220	Ex-Cell-O Corporation	11
	Extendicare, Inc.—*see 702*	
	FAS International, Inc.—*see 661*	
	FMC Corporation—*see 231*	
221	Fairchild Camera and Instrument Corporation	12
223	Fairchild Hiller Corporation	12
223	Falstaff Brewing Corporation	12
224	Fansteel Inc.	12
225	Fedders Corporation	8
226	Federated Department Stores, Inc.	1
227	The Firestone Tire & Rubber Company	10
228	First National Stores Inc.	3
229	M.H. Fishman Co. Inc.	12
230	The Flintkote Company	12
231	*FMC Corporation*	12
	Food Fair Stores, Inc.—*see 618*	
232	Foote Mineral Company	12
233	Ford Motor Company	12
	Foremost-McKesson, Inc.—*see 662*	
235	Freeport Sulphur Company	12
236	Fruehauf Corporation	12
	GAF Corporation—*see 240*	
238	Garlock Inc.	12
239	General American Transportation Corporation	12
240	*GAF Corporation*	12
241	*General Host Corporation*	12
242	General Box Company	12
245	General Cigar Co., Inc.	12
246	General Dynamics Corporation	12
247	General Electric Company	12
248	General Foods Corporation	3
	General Host Corporation—*see 241*	
249	General Mills, Inc.	5
250	General Motors Corporation	12
251	General Plywood Corporation	10
252	General Refractories Company	12
253	General Signal Corporation	12
254	The General Tire & Rubber Company	11
255	Genesco Inc.	7
256	Georgia-Pacific Corporation	12
257	Gerber Products Company	3
	Getty Oil Company—*see 620*	
	Giant Food Inc.—*see 621*	
258	Giddings & Lewis, Inc.	12
259	The Gillette Company	12
260	Gimbel Brothers, Inc.	1
	Glen Alden Corporation—*see 663*	
262	Goldblatt Bros., Inc.	1
263	The B. F. Goodrich Company	12
264	The Goodyear Tire & Rubber Company	12
	W. R. Grace & Co.—*see 622*	
265	The Grand Union Company	2
	Granger Associates—*see 623*	

Co. No.		*Month in which fiscal year ends
266	Granite City Steel Company	12
267	Graniteville Company	12
268	W. T. Grant Company	1
269	The Great Atlantic & Pacific Tea Company, Inc.	2
	Great Western United Corporation—*see 150*	
271	Gruen Industries, Inc.	3
272	Grumman Corporation	12
273	Gulf Oil Corporation	12
	Gulf & Western Industries, Inc.—*see 624*	
	Gwaltney Incorporated—*see 664*	
	Gyrodyne Company of America, Inc.—*see 665*	
	HCA Industries, Inc.—*see 283*	
	W. F. Hall Printing Company—*see 275*	
274	Halliburton Company	12
275	*W. F. Hall Printing Company*	3
276	Hamilton Watch Company	1
	Hampton Shirt Co., Inc.—*see 703*	
278	Harnischfeger Corporation	10
279	Harris-Intertype Corporation	6
280	Harsco Corporation	12
282	Hart Schaffner & Marx	11
283	Hat Corporation of America	10
284	Hazeltine Corporation	12
285	H. J. Heinz Company	4
	Helena Rubinstein, Inc.—*see 625*	
286	Hercules Incorporated	12
287	Hershey Foods Corporation	12
288	Hewlett-Packard Company	10
290	The Hobart Manufacturing Company	12
291	Hoffman Electronics Corporation	12
292	Holly Sugar Corporation	3
	Homasote Company—*see 666*	
293	Honeywell Inc.	12
295	The Hoover Company	12
296	Geo. A. Hormel & Company	10
297	Houdaille Industries, Inc.	12
298	Howmet Corporation	12
299	Hudson Pulp & Paper Corp.	12
300	*Norton Simon, Inc.*	6
302	Hygrade Food Products Corporation	10
303	Indian Head Inc.	11
304	Ingersoll-Rand Company	12
305	Inland Steel Company	12
306	Inmont Corporation	12
	Insilco Corporation—*see 313*	
307	Interco Incorporated	11
308	Interlake Steel Corporation	12
309	International Business Machines Corporation	12
310	International Harvester Company	10
	International Milling Company Inc.—*see 667*	
311	International Minerals & Chemical Corporation	6
	International Multifoods Corp.—*see 667*	
312	International Paper Company	12
313	*Insilco Corporation*	12
	International Telephone and Telegraph Corporation—*see 668*	
	Interphoto Corporation—*see 669*	
314	Interstate Brands Corporation	12
	Iowa Beef Packers, Inc.—*see 670*	

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
	Ipco Hospital Supply Corporation—*see 627*	
315	Jantzen Inc.	8
	Jewel Companies, Inc.—*see 671*	
316	*Jim Walter Corporation*	8
317	Johns-Manville Corporation	12
318	Johnson & Johnson	12
319	Jones & Laughlin Steel Corporation	12
320	Joslyn Mfg. and Supply Co.	12
321	Joy Manufacturing Company	9
322	Kaiser Aluminum & Chemical Corporation	12
323	Kellogg Company	12
324	Kelsey-Hayes Company	8
325	The Kendall Company	12
326	Kennecott Copper Corporation	12
327	Keystone Consolidated Industries, Inc.	6
328	Walter Kidde & Company, Inc.	12
329	Kimberly-Clark Corporation	12
330	Koppers Company, Inc.	12
	Kraftco Corporation—*see 397*	
331	S. S. Kresge Company	1
332	The Kroger Co.	12
333	Kuhlman Corporation	12
	La Maur Inc.—*see 673*	
	LaBarge, Inc.—*see 704*	
	Lafayette Radio Electronics Corporation—*see 672*	
334	Lear Siegler, Inc.	6
335	Lehigh Portland Cement Company	12
	Leslie Fay Inc.—*see 674*	
336	Leslie Salt Co.	12
338	Libbey-Owens-Ford Company	12
339	Libby, McNeill, & Libby	6
340	Liggett & Myers Incorporated	12
341	Eli Lilly and Company	12
	Ling-Temco-Vought, Inc.—*see 628*	
344	Litton Industries, Inc.	7
345	Lockheed Aircraft Corporation	12
	Loew's Theatres, Inc.—*see 705*	
346	Loft Candy Corporation	6
347	Lone Star Cement Corporation	12
	Louisville Cement Company—*see 630*	
	Lowe's Companies, Inc.—*see 706*	
349	Lukens Steel Company	12
	Lykes-Youngstown Corporation—*see 707*	
	MCA Inc.—*see 364*	
	MSL Industries, Inc.—*see 391*	
	MWA Company—*see 635*	
350	The Macke Company	9
352	R. H. Macy & Co., Inc.	7
353	The Magnavox Company	12
354	P. R. Mallory & Co. Inc.	12
	Malone & Hyde, Inc.—*see 675*	
355	Marathon Oil Company	12
	Marcor Inc.—*see 386*	
356	Maremont Corporation	12
	Marhoefer Packing Company, Inc.—*see 631*	
	Marlene Industries Corporation—*see 633*	
357	Marshall Field & Company	1
358	Martin Marietta Corporation	12
359	Masonite Corporation	8
	Maule Industries, Inc.—*see 634*	
361	The May Department Stores Company	1

Co. No.		*Month in which fiscal year ends
362	Oscar Mayer & Co. Inc.	10
363	The Maytag Company	12
364	*MCA Inc.*	12
366	McCormick & Company, Incorporated	11
	J. Ray McDermott & Co., Inc.—*see 632*	
367	McDonnell Douglas Corporation	12
368	McGraw-Edison Company	12
369	McGraw-Hill, Inc.	12
372	The Mead Corporation	12
373	Medusa Portland Cement Company	12
374	Melville Shoe Corporation	12
375	Merck & Co., Inc.	12
376	Meredith Corporation	6
377	Metro-Goldwyn-Mayer Inc.	8
	Midas-International Corporation—*see 708*	
378	Midland-Ross Corporation	12
379	Midwest Rubber Reclaiming Company	10
380	Minnesota Mining and Manufacturing Company	12
381	Mirro Aluminum Company	12
382	Mobil Oil Corporation	12
383	Mohasco Industries, Inc.	12
384	The Mohawk Rubber Company	12
	Molybdenum Corporation of America—*see 676*	
385	Monsanto Company	12
386	*Marcor Inc.*	1
	Morse Electro Products Corp.—*see 677*	
389	Motorola, Inc.	12
	Mott's Super Markets, Inc.—*see 678*	
390	Mount Vernon Mills, Inc.	12
391	*MSL Industries, Inc.*	12
392	Munsingwear, Inc.	12
393	G. C. Murphy Company	12
394	National Biscuit Company	12
	National Can Corporation—*see 637*	
395	The National Cash Register Company	12
397	*Kraftco Corporation*	12
398	National Distillers and Chemical Corporation	12
399	National Gypsum Company	12
400	National Lead Company	12
401	National Presto Industries, Inc.	12
402	National Starch and Chemical Corporation	12
403	National Steel Corporation	12
405	National Tea Co.	3
406	Nebraska Consolidated Mills Company	6
407	Neptune Meter Company	12
	New England Nuclear Corporation—*see 679*	
408	J. J. Newberry Co.	1
	A. C. Nielsen Company—*see 680*	
	North American Philips Corporation—*see 157*	
413	North American Rockwell Corporation	9
414	North American Sugar Industries Incorporated	9
415	Northrop Corporation	7
	Norton Simon, Inc.—*see 300*	
	Occidental Petroleum Corporation—*see 681*	
	Ogden Corporation—*see 639*	
	Ohio Ferro-Alloys Corporation—*see 682*	
416	Olin Corporation	12
417	O'Sullivan Rubber Corporation	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
418	Otis Elevator Company	12
419	Outboard Marine Corporation	9
420	Owens-Illinois, Inc.	12
	Oxford Industries, Inc.—*see 640*	
	PPG Industries, Inc.—*see 443*	
	Pall Corporation—*see 709*	
	The Pantasote Company—*see 641*	
422	Parke, Davis & Company	12
423	Parker-Hannifin Corporation	6
424	The Parker Pen Company	2
	Penn Fruit Co., Inc.—*see 428*	
	Penn Traffic Company—*see 683*	
427	J. C. Penney Company, Inc.	1
428	*Penn Fruit Co., Inc.*	8
429	Pennwalt Corporation	12
430	Peoples Drug Stores, Incorporated	12
431	PepsiCo., Inc.	12
	Perfect Film & Chemical Corporation—*see 572*	
432	Pet Incorporated	3
	Pettibone Corporation—*see 684*	
	Pettibone Mulliken Corporation—*see 684*	
433	Chas. Pfizer & Co., Inc.	12
434	Phelps Dodge Corporation	12
436	Philip Morris Incorporated	12
437	Phillips Petroleum Company	12
438	Phoenix Steel Corporation	12
439	The Pillsbury Company	5
440	Piper Aircraft Corporation	9
441	Pitney-Bowes, Inc.	12
443	*PPG Industries, Inc.*	12
445	The Pittston Company	12
446	Plough, Inc.	12
447	Polaroid Corporation	12
448	Portec, Inc.	12
	Potlatch Forests, Inc.—*see 685*	
	Potter Instrument Company, Inc.—*see 642*	
450	Pratt & Lambert, Inc.	12
451	The Procter & Gamble Company	6
452	Pullman Incorporated	12
453	Purolator, Inc.	12
454	The Quaker Oats Company	6
455	Quaker State Oil Refining Corporation	12
456	RCA Corporation	12
457	Ralston Purina Company	9
458	Ranco Incorporated	9
459	The Rath Packing Company	9
460	Raybestos-Manhattan, Inc.	12
462	Raytheon Company	12
	Reeves Brothers, Inc.—*see 710*	
463	Reliance Electric Company	10
465	Republic Steel Corporation	12
467	*Dart Industries Inc.*	12
468	Rex Chainbelt Inc.	10
	R. J. Reynolds Industries, Inc.—*see 470*	
469	Reynolds Metals Company	12
470	R. J. Reynolds Tobacco Company	12
472	Richardson-Merrell Inc.	6
	Richford Industries, Inc.—*see 686*	
473	Riegel Paper Corporation	12
474	*Sybron Corporation*	12
475	H. H. Robertson Company	12
476	Rohm and Haas Company	12
	Helena Rubinstein, Inc.—*see 625*	

Co. No.		*Month in which fiscal year ends
	The Rucker Company—*see 643*	
	Russ Togs, Inc.—*see 687*	
	SCM Corporation—*see 483*	
	SCOA Industries, Inc.—*see 496*	
479	Safeway Stores, Incorporated	12
480	St. Joseph Lead Company	12
481	St. Regis Paper Company	12
	Sav-A-Stop, Incorporated—*see 711*	
483	*SCM Corporation*	6
484	Scott Paper Company	12
485	Scovill Manufacturing Company	12
486	Screw and Bolt Corporation of America	12
487	Seaboard Allied Milling Corporation	5
488	G. D. Searle & Co.	12
	Sears Industries Inc.—*see 159*	
489	Sears, Roebuck and Co.	1
	Seton Company—*see 688*	
494	Shell Oil Company	12
495	The Sherwin-Williams Company	8
496	*SCOA Industries, Inc.*	1
497	The Signal Companies, Inc.	12
498	Signode Corporation	12
	Simkins Industries, Inc.—*see 689*	
499	Simmons Company	12
500	Simplicity Pattern Co. Inc.	12
502	The Singer Company	12
504	A. O. Smith Corporation	12
505	Snap-on Tools Corporation	12
506	Sola Basic Industries, Inc.	3
	Spartans Industries, Inc.—*see 690*	
509	Sparton Corporation	6
	Spencer Shoe Corporation—*see 691*	
	The Sperry and Hutchinson Company—*see 644*	
510	Sperry Rand Corporation	3
511	Sprague Electric Company	12
512	Square D Company	12
	Squibb Beech-Nut, Inc.—*see 84*	
513	A. E. Staley Manufacturing Company	9
	Stanadyne, Inc.—*see 522*	
514	Standards Brands Incorporated	12
	Standard Motor Products, Inc.—*see 645*	
516	Standard Oil Company of California	12
517	Standard Oil Company (*Indiana*)	12
518	Standard Oil Company (*New Jersey*)	12
519	The Standard Oil Company (*an Ohio Corporation*)	12
520	Standard Packaging Corporation	12
521	Standard Pressed Steel Co.	12
	The Standard Register Company—*see 712*	
522	Standard Screw Company	12
	Stanley Home Products, Inc.—*see 692*	
523	Stanray Corporation	12
524	The L. S. Starrett Company	6
	Sterling Drug Inc.—*see 693*	
525	J. P. Stevens & Co., Inc.	10
526	Stewart-Warner Corporation	12
527	Stokely-Van Camp, Inc.	5
528	Stone Container Corporation	12
	Struthers Wells Corporation—*see 694*	
529	Studebaker-Worthington, Inc.	12
530	Sun Chemical Corporation	12
	Sun Oil Company—*see 532*	
531	Sundstrand Corporation	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
532	*Sun Oil Company*	12
534	The Superior Oil Company	12
	Supermarkets General Corporation—*see 646*	
535	Swift & Company	10
	Sybron Corporation—*see 474*	
	TRW Inc.—*see 548*	
537	Tecumseh Products Company	12
	Teledyne, Inc.—*see 695*	
	Tenneco Inc.—*see 647*	
538	Texaco Inc.	12
539	Texas Gulf Sulphur Company	12
540	Texas Instruments Incorporated	12
541	Textron Inc.	12
543	Time Incorporated	12
544	The Timken Roller Bearing Company	12
545	Tobin Packing Co., Inc.	10
	Trans Union Corporation—*see 554*	
547	Triangle Industries, Inc.	12
	Triangle-Pacific Forest Products Corp.—*see 648*	
548	*TRW Inc.*	12
549	Twentieth Century-Fox Film Corporation	12
550	UMC Industries, Inc.	12
	USM Corporation—*see 563*	
551	Union Camp Corporation	12
552	Union Carbide Corporation	12
553	Union Oil Company of California	12
554	*Trans Union Corporation*	12
	Uniroyal, Inc.—*see 567*	
555	United Aircraft Corporation	12
	United Brands Company—*see 601*	
	United Foods, Inc.—*see 649*	
560	United Merchants and Manufacturers, Inc.	6
562	The United Piece Dye Works	12
563	*USM Corporation*	2
564	United States Gypsum Company	12
565	U. S. Industries, Inc.	12
566	U. S. Plywood-Champion Papers Inc.	12
567	*Uniroyal, Inc.*	12
568	The United States Shoe Corporation	10
569	United States Smelting Refining and Mining Company	12
570	United States Steel Corporation	12
571	United States Tobacco Company	12
572	*Perfect Film & Chemical Corporation*	12
574	Universal Leaf Tobacco Co., Inc.	6
575	Utah-Idaho Sugar Company	2
576	Varian Associates	9
577	Veeder Industries Inc.	12
578	The Vendo Company	12
	Victor Comptometer Corporation—*see 697*	
	Vocaline Company of America, Incorporated—*see 713*	
580	Walgreen Co.	9
	Jim Walter Corporation—*see 316*	
581	Walworth Company	12
582	Ward Foods, Inc.	12
584	Warner-Lambert Pharmaceutical Company	12
586	*Westinghouse Electric Corporation*	12
587	West Point-Pepperell, Inc.	8
	Westinghouse Electric Corporation—*see 586*	
588	Westvaco Corporation	10

Co. No.		*Month in which fiscal year ends
589	Weyerhaeuser Company	12
590	Wheeling-Pittsburgh Steel Corporation	12
	Whirlpool Corporation—*see 650*	
	White Consolidated Industries, Inc.—*see 698*	
591	White Motor Corporation	12
	Whittaker Corporation—*see 699*	
	Winn-Dixie Stores, Inc.—*see 714*	
	Winnebago Industries, Inc.—*see 715*	
594	F. W. Woolworth Co.	12
596	Wm. Wrigley Jr. Company	12
597	The Wurlitzer Company	3
	Wyandotte Industries Corporation—*see 700*	
598	Xerox Corporation	12
600	Zenith Radio Corporation	12
ADDED FOR 1968 EDITION		
601	*AMK Corporation*	12
602	*Aerosol Techniques, Incorporated*	9
603	*Albertson's, Inc.*	3
605	*American Building Maintenance Industries*	10
606	*Anchor Coupling Co. Inc.*	6
607	*The Ansul Company*	9
609	*Barton Distilling Company*	6
610	*Belden Corporation*	12
611	*Bobbie Brooks, Incorporated*	4
612	*Boise Cascade Corporation*	12
615	*Clarostat Mfg. Co., Inc.*	12
616	*Doyle Dane Bernbach Inc.*	10
617	*Electric Hose & Rubber Company*	8
618	*Food Fair Stores, Inc.*	4
620	*Getty Oil Company*	12
621	*Giant Food Inc.*	4
622	*W. R. Grace & Co.*	12
623	*Granger Associates*	8
624	*Gulf & Western Industries, Inc.*	7
625	*Helena Rubinstein, Inc.*	12
627	*Ipco Hospital Supply Corporation*	6
628	*Ling-Temco-Vought, Inc.*	12
630	*Louisville Cement Company*	12
631	*Marhoefer Packing Company, Inc.*	10
632	*J. Ray McDermott & Co., Inc.*	3
633	*Marlene Industries Corporation*	1
634	*Maule Industries, Inc.*	12
635	*MWA Company*	6
637	*National Can Corporation*	12
639	*Ogden Corporation*	12
640	*Oxford Industries, Inc.*	5
641	*The Pantasote Company*	12
642	*Potter Instrument Company, Inc.*	6
643	*The Rucker Company*	12
644	*The Sperry and Hutchinson Company*	12
645	*Standard Motor Products, Inc.*	12
646	*Supermarkets General Corporation*	10
647	*Tenneco Inc.*	12
648	*Triangle-Pacific Forest Products Corp.*	12
649	*United Foods, Inc.*	2
650	*Whirlpool Corporation*	12
ADDED FOR 1969 EDITION		
651	*Associated Products, Inc.*	5
652	*Brenco, Incorporated*	12
653	*Buckbee-Mears Company*	12
654	*Chicago Bridge & Iron Company*	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
655	*Colonial Sand & Stone Co., Inc.*	12
656	*Dana Corporation*	8
657	*Detecto Scales, Inc.*	12
658	*Diamond Shamrock Corporation*	12
659	*Engelhard Minerals & Chemicals Corporation*	12
660	*Ethyl Corporation*	12
661	*FAS International Inc.*	9
662	*Foremost-McKesson, Inc.*	3
663	*Glen Alden Corporation*	12
664	*Gwaltney Incorporated*	9
665	*Gyrodyne Company of America, Inc.*	4
666	*Homasote Company*	12
667	*International Milling Company Inc.*	12
668	*International Telephone and Telegraph Corporation*	12
669	*Interphoto Corporation*	2
670	*Iowa Beef Packers, Inc.*	10
671	*Jewel Companies, Inc.*	1
672	*Lafayette Radio Electronics Corporation*	6
673	*La Maur Inc.*	12
674	*Leslie Fay Inc.*	4
675	*Malone & Hyde, Inc.*	6
676	*Molybdenum Corporation of America*	12
677	*Morse Electro Products Corp.*	3
678	*Mott's Super Markets, Inc.*	12
679	*New England Nuclear Corporation*	2
680	*A.C. Nielsen Company*	8
681	*Occidental Petroleum Corporation*	12
682	*Ohio Ferro-Alloys Corporation*	12
683	*Penn Traffic Company*	1
684	*Pettibone Mulliken Corporation*	3

Co. No.		*Month in which fiscal year ends
685	*Potlatch Forests, Inc.*	12
686	*Richford Industries, Inc.*	12
687	*Russ Togs, Inc.*	1
688	*Seton Company*	12
689	*Simkins Industries, Inc.*	9
690	*Spartans Industries, Inc.*	7
691	*Spencer Shoe Corporation*	5
692	*Stanley Home Products, Inc.*	12
693	*Sterling Drug Inc.*	12
694	*Struthers Wells Corporation*	11
695	*Teledyne, Inc.*	10
697	*Victor Comptometer Corporation*	12
698	*White Consolidated Industries, Inc.*	12
699	*Whittaker Corporation*	10
700	*Wyandotte Industries Corporation*	11
ADDED FOR 1970 EDITION		
701	*American Electronic Laboratories, Inc.*	11
702	*Extendicare, Inc.*	8
703	*Hampton Shirt Co., Inc.*	12
704	*LaBarge, Inc.*	12
705	*Loew's Theatres, Inc.*	8
706	*Lowe's Companies, Inc.*	7
707	*Lykes-Youngstown Corporation*	12
708	*Midas-International Corporation*	12
709	*Pall Corporation*	7
710	*Reeves Brothers, Inc.*	6
711	*Sav-A-Stop, Incorporated*	8
712	*The Standard Register Company*	12
713	*Vocaline Company of America, Incorporated*	6
714	*Winn-Dixie Stores, Inc.*	6
715	*Winnebago Industries, Inc.*	2

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132 CF&I Steel Corporation
143 Clevite Corporation
212 Elgin National Watch Company
217 Erie Forge & Steel Corporation
219 Eversharp Inc.
237 Gar Wood Industries, Inc.
360 Maxson Electronics Corporation
396 National Radio Company, Inc.
515 Standard Kollsman Industries Inc.
593 Woodall Industries Inc.
599 The Youngstown Sheet and Tube Company
626 Hess Oil & Chemical Corporation
629 Locke Manufacturing Companies, Inc.
696 Thrift Drug Company of Pennsylvania

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