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1971

ACCOUNTING TRENDS & TECHNIQUES

1971

ACCOUNTING TRENDS & TECHNIQUES

ANNUAL SURVEY OF ACCOUNTING PRACTICES FOLLOWED IN 600 STOCKHOLDERS' REPORTS

TWENTY-FIFTH EDITION

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1971

ACCOUNTING TRENDS & TECHNIQUES

Twenty-Fifth 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, 1971.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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PREFACE

Accounting Trends and Techniques in Published Annual Reports—1971 is the Twenty-Fifth Edition of a study of the accounting aspects of financial reports released annually by 600 industrial companies to their stockholders. This study is a continuation of the long-range program initiated by the Council in 1946 for the analysis of corporate annual reports. The current edition has been prepared under the direction of Richard Rikert, American Institute of Certified Public Accountants.

Significant accounting trends, as revealed in the reports of the companies included in the survey, are presented in numerous comparative tabulations throughout the study. These tables show the current trends in corporate reports in such diverse accounting matters as the various types of financial statements presented, their form and terminology, and the accounting treatment afforded the transactions and items reflected in the statements. A limited number of company references are shown at the bottom of various tables. Additional references may be requested from the American Institute of Certified Public Accountants. 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 years prior to 1968 reflect reports on fiscal years ended not later than January 10 of the succeeding year. Statistics for 1968 and subsequent years reflect reports on fiscal years ended not later than February 10 of the succeeding year.

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. 477 of the companies were listed in the twenty-first (1967) edition and each retains the number assigned in that edition. The other 123 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 730 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; William A. Godla, CPA; Hortense Goodman, CPA; Phyllis C. Johnson, CPA; John G. Pate, Jr., CPA; and Hyman Muller 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

Table of Contents

Section 1: General

Page

Companies Selected for Survey:
- Industrial Groups Represented 1
- Volume of Business 1
- Where Stocks Are Traded 2

Company Reports:
- Natural Business Year 2
- 52-53 Week Fiscal Year 4

Comparative Statements 4
- Rounding of Amounts 4
- Notes to Financial Statements 5
- Financial Presentations Not Covered by Auditors' Reports 6

Accounting Policies:
- Restatement of Prior Year's Financial Statements 8
- Disclosure of Accounting Policies 11
- Accounting Changes 17
- Product Line Reporting 18
- Consolidation of Subsidiaries 22

Business Combinations 31
- Poolings of Interests 31
- Purchases 34
- Cost of Business Combinations 36

Contingencies:
- Contingent Liabilities and Commitments 36
- Contingent Assets 39
- Subsequent Events 40

U. S. Government Contracts 43

Backlog Information 45

SEC Reporting 46

Opinions of the Accounting Principles Board 47

Price Level Information 49

Section 2: Balance Sheet

Title of the Balance Sheet 51

Form of the Balance Sheet 51

Cash 51

Marketable Securities in Current Assets 52

Receivables:
- Current 54
- Used for Financing 57
- Uncollectible Accounts 59

Inventory:
- Presentation 60
- Pricing Basis 60
- Methods of "Cost" Determination 60
- Determination of "Market" 64
- Inventory Reserves 64

Page

Unbilled Costs 65
Prepaid Expenses 66
Other Captions in Current Assets 66
Property, Plant and Equipment 67
Investments:
  Voting Stock of Investees 77
  Other 85
Noncurrent Receivables 86
Advances, Deposits, and Segregated Cash or Securities 88
Cash Surrender Value of Life Insurance 90
Intangible Assets 90
Deferred Charges and Other Assets 94
Current Liabilities 97
  Short-Term Debt 97
  Trade Creditors 98
  Liabilities to or for Employees 99
  Income Tax Liability 101
  Current Amount of Long-Term Debt 102
  Other Current Liabilities 103
Long-Term Debt 105
Credit Agreements 111
Long-Term Leases—Disclosure by Lessees 114
Deferred Income Taxes 118
Minority Interests 118
Other Long-Term Liabilities 119
Reserves 122
Title of the Stockholders' Equity Section 122
Capital Structures 122
Common Stock 129
Preferred Stock 131
Additional Capital 136
Retained Earnings 139
Restrictions on Retained Earnings 141
Stock Option and Stock Purchase Plans 144
Treasury Stock 151

Section 3: Income Statement

Title of Income Statement 155
Form of the Income Statement 156
Sales 156
Cost of Goods Sold 157

Page

Operating Expenses 159
Nonoperating Income and Expenses 161
Capitalization of Interest 165
Employee Compensation:
Salaries 166
Pension and Retirement Plans 167
Other Employee Benefit Plans 172
Depreciation:
Expense 176
Policy 179
Social Awareness Expenditures 186
Income Taxes:
Presentation 189
Interperiod Tax Allocation 192
Investment Credit 196
Tax Examinations and Renegotiation Proceedings 197
Taxes on Undistributed Earnings of Subsidiaries 202
Excise Taxes 203
Foreign Operations:
Translation of Assets, Liabilities, Losses, and Gains 204
Foreign Exchange Adjustments 207
Long-Term Construction-Type Contracts 209
Minority Interests 211
Equity in Earnings or Losses of Investees 212
Discontinued Operations 214
Last Section of Income Statement 217
Extraordinary Items 218
Earnings Per Share 220
Long-Term Leases—Disclosure by Lessors 225

Section 4: Stockholders' Equity

Retained Earnings:
Presentation of Changes in Retained Earnings 227
Dividends 230
Adjustments to Opening Balance of Retained Earnings 235
Direct Charges and Credits to Retained Earnings 241
Capital Accounts:
Presentation of Changes in Additional Capital 244
Stock Splits 244
Credits to Capital Accounts 247
Charges to Capital Accounts 252

Page

Section 5: Statement of Changes in Financial Position

Presentation and Opinion 255
Title 256
Form 256
Working Capital Provided by Operations 259
Dividends 264
Other Sources and Applications 266
Cash Flow 270
Analysis of Changes in Working Capital Elements 271

Section 6: Auditors' Report

Location 275
Title of the Auditors' Report 275
Addressee of the Auditors' Report 276
Short-Form Auditors' Report 276
Exceptions to Scope:
Generally Accepted Auditing Standards 278
Auditing Procedures 278
Reference to Other Auditors 279
Expression of Opinion 282
Qualifications as to Fair Presentation 283
Consistency Qualifications and Restatement References 294
Intermediate Paragraphs 298
Reference to Other Statements and Schedules 299
Reference to Prior Year Examinations 302
Number of Accounting Firms Represented 304

Appendix of 600 Companies 305
Subject Index 313

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.

TABLE 1-2: VOLUME OF BUSINESS

Dollar Amount of Revenue	1970	1969
Less than $100,000,000	136	134
Between $100,000,000 and $250,000,000	113	121
Between $250,000,000 and $500,000,000	108	103
Between $500,000,000 and $750,000,000	63	68
Between $750,000,000 and $1,000,000,000	39	34
Between $1,000,000,000 and $2,000,000,000	86	140
More than $2,000,000,000	55	
Total	600	600

TABLE 1-1: INDUSTRIAL GROUPS REPRESENTED

	1970	1969	1968	1966
Foods:				
Meat products	10	9	10	10
Dairy products	5	5	5	6
Canning, etc	6	6	7	8
Packaged and bulk (principally grain and flour)	18	17	17	17
Baking	4	4	4	6
Sugar	8	8	9	11
Beverages	8	8	8	10
Tobacco products	8	8	8	10
Textiles, apparel manufacturing, etc.	28	30	29	26
Paper products	18	19	19	20
Printing, publishing	5	5	5	8
Chemicals	29	28	32	29
Drugs, cosmetics, soap, etc	20	22	22	17
Petroleum	24	24	25	26
Rubber products, etc	12	11	10	11
Shoes, – manufacturing, merchandising, etc.	8	9	9	7
Building:				
Cement	7	5	7	4
Roofing, wallboard	9	9	9	9
Heating, plumbing, air conditioning	6	6	6	6
Other	18	17	18	17
Steel and iron	21	24	25	31
Metal – nonferrous	15	9	9	12
Metal fabricating	14	14	15	18
Machinery, equipment and supplies	36	36	36	47
Electrical equipment, appliances	11	11	10	12
Electrical, electronic equipment	39	36	37	34
Business equipment and supplies	12	11	9	10
Containers – metal, glass, etc.	8	8	8	6
Autos and trucks (including parts, accessories)	21	22	24	24
Aircraft and equipment, aerospace	18	20	20	21
Railway equipment, shipbuilding, etc.	8	8	9	11
Controls, instruments, medical equipment, watches and clocks, etc	7	6	10	11
Merchandising:				
Department stores	13	12	12	10
Mail order stores	7	6	8	8
Grocery stores	20	21	18	11
Other	14	14	14	12
Motion pictures, broadcasting	5	5	5	6
Widely diversified, or not otherwise classified	80	87	72	58
Total	600	600	600	600

TABLE 1-3: WHERE STOCKS ARE TRADED

Exchange or Other	1970	1969	1968	1966
New York Stock Exchange	478	476	481	517
American Stock Exchange	75	71	69	36
Regional stock exchange only	9	9	11	9
Over-the-Counter market				
Daily quotations	38	42	39	32
Weekly quotations only	--	2	--	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* 1971 list of the 500 largest industrial corporations or in its list of the 50 largest merchandising firms.

TABLE 1-4: COMPANIES FISCAL YEAR ENDINGS

Companies with Year Ending in:	1970	1969	1968	1960
January (*16,361,408,724)	23	22	23	16
February (*81,265,575,715)	12	12	13	10
March (*271,432,506)	18	18	17	11
April (*48,285,621)	6	7	8	6
May (*116,434,640)	11	9	8	6
June (*15,158,279)	37	35	31	25
July (*6,118,255,624)	17	14	13	12
August (*128,324,495)	18	17	16	16
September (*83,213)	34	36	40	33
October (*61,251)	35	33	35	39
November (*168,204)	12	12	11	20
Subtotal	223	215	215	194
December (*9,149)	377	385	385	406
Total	600	600	600	600

*Refer to Company Appendix Section

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 377 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.

During 1970, ten companies changed the date of their fiscal year ending. Explanations and disclosures made by such companies follow.

THE ANSUL COMPANY

Consolidated Statements of Earnings and Retained Earnings for the years ended December 31, 1970 and September 30, 1969	1970 (Calendar)	1969 (Fiscal)
Consolidated Statement of Source and Use of Funds for the years ended December 31, 1970 and September 30, 1969	1970 (Calendar)	1969 (Fiscal)
Consolidated Balance Sheet December 31, 1970 and September 30, 1969	December 31, 1970	September 30, 1969

Notes to Financial Statements

Note 1—Change of Fiscal Year:—In July 1969 the Board of Directors authorized a change in fiscal year from September 30 to December 31 effective January 1, 1970. The results of operations for the transition period October 1, 1969 to December 31, 1969 were as follows:

Net sales	$7,208,016
Net (loss)—($0.4) per share	(49,432)
Retained earnings, September 30, 1969	8,145,342
Cash dividends paid— $.14 per share	(197,825)
Retained earnings, December 31, 1969	$7,898,085

The parent company incurred an operating loss for the three month period ended December 31, 1969 which gave rise to an estimated future income tax reduction of approximately $237,000. This reduction has been reflected in the results of operations for the three month period, and will be recovered in equal amounts over the next ten years as a reduction of future income taxes.

CONTINENTAL STEEL CORPORATION

Consolidated Statement of Income And Retained Earnings

	For the years ended	
	January 2, 1971	December 31, 1969

Consolidated Balance Sheet

	January 2, 1971	December 31, 1969

Notes to Consolidated Financial Statements

Note A (in part):—On January 1, 1970, the company changed its financial reporting period from a year ending December 31 to a 52 or 53 week period ending on the Saturday nearest to December 31. This change had no effect on reported net sales or net income for the year.

FOOD FAIR STORES, INC.

Consolidated Statement of Income

	Fifty-two weeks ended August 1, 1970	Fifty-three weeks ended May 3, 1969

Consolidated Statement of Retained Earnings

	Fifty-two weeks ended August 1, 1970	Fifty-three weeks ended May 3, 1969

Consolidated Statement of Financial Condition

	August 1, 1970	May 3, 1969

Consolidated Statement of Source and Use of Funds

	Fifty-two weeks ended August 1, 1970	Fifty-three weeks ended May 3, 1969

Notes to Financial Statements

Note 2: By action of the Board of Directors on May 6, 1969, the fiscal years of the companies were changed to end on the Saturday nearest to July 31, instead of the Saturday nearest to April 30.

The results of operations for the transition period May 4, 1969 to August 2, 1969 (which are not indicative of a complete fiscal year because of the seasonal nature of certain operations) were as follows:

Sales	$411,550,000
Retained earnings, May 3, 1969	$71,185,000
Earnings for the period	3,117,000
	74,302,000
Cash dividends:	
Preferred stock	33,000
Common stock	1,625,000
	1,658,000
Retained earnings, August 2, 1969	$72,644,000

S. S. KRESGE COMPANY

1970 BUSINESS REVIEW

*The Fiscal Year Was Changed:*Kresge changed its fiscal year and the current results of operations are for the 52 weeks ended Wednesday, January 27, 1971. The effect of the change was not significant and results for the 52 weeks are compared with results of operations for the previous 12-month year ended January 31, 1970.

Consolidated Statements of Income

	Fiscal Year Ended	
	January 27 1971	January 31 1970

Consolidated Balance Sheets

	January 27 1971	January 31 1970

Consolidated Statements of Income Retained

	Fiscal Year Ended	
	January 27 1971	January 31 1970

Consolidated Statements of Source and Application of Funds

	Fiscal Year Ended	
	January 27 1971	January 31 1970

SIGNODE CORPORATION

Consolidated Balance Sheets

	January 3, 1971	December 31, 1969

Consolidated Statements of Earnings

	52 Weeks Ended January 3, 1971	Year Ended December 31, 1969

Consolidated Statements of Sources and Disposition of Funds

	52 Weeks Ended January 3, 1971	Year Ended December 31, 1969

Notes to Consolidated Financial Statements

Note 1: Change to 52-53 Week Year—In 1970, Signode Corporation changed its accounting year from one ending December 31 to a period ending on the Sunday nearest December 31. Future annual accounting periods will therefore be composed of 52 weeks, except for a periodic adjustment which will involve a fiscal year of 53 weeks. References to fiscal 1970 in the accompanying financial statements are to the 52 weeks ended January 3, 1971.

SUPERMARKETS GENERAL CORPORATION
Consolidated Balance Sheet

	January 30 1971	January 31 1970

Consolidated Statement of Earnings

	Year Ended January 30 1971	Year Ended January 31 1970

Consolidated Statement of Source and Application of Funds

	Year Ended January 30 1971	Year Ended January 31 1970

Notes to Financial Statements

Principles of Consolidation (in part)—Effective January 31, 1970, the Company changed from a 52-53 week fiscal year ending on the Saturday nearest October 31 to a 52-53 week fiscal year ending on the Saturday nearest January 31.

The financial statements for the year ended January 31, 1970 reflect the change to the new fiscal year and include the last 39 weeks of the previously reported fiscal year ended November 1, 1969.

52-53 WEEK FISCAL YEAR

Table 1-5 shows that 109 companies used a 52/53 week year in 1970. 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 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.

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

Weekday Selected for End of Year	1970	1969	1968	1966
Saturday (*228,346,428,582)	83	77	72	59
Sunday (*79,171,406,567)	22	25	20	16
Friday (*148,321)	2	2	2	3
Wednesday (*285,331)	2	1	1	2
Total	109	105	95	80

Method for Determining End of Year				
Selected weekday nearest end of month (before or after)	61	57	39	38
Last selected weekday in month	34	35	30	22
Other, or not determinable	14	13	26	20
Total	109	105	95	80

*Refer to Company Appendix Section.

TABLE 1-6: COMPARATIVE CUSTOMARY STATEMENTS

Number of Companies with:	1970	1969	1968	1960
All statements comparative	543	478	458	437
All statements comparative except Statement of Source and Application of Funds	33	86	96	
Other presentations with some statements in comparative form	24	36	45	83
No statements in comparative form	0	0	1	80
Total	600	600	600	600

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 1969 amounts in their 1970 balance sheets and income statements. Table 1-6 discloses that the number of companies showing comparative figures for all financial statements presented in the annual report increased sharply in 1970.

ROUNDING OF AMOUNTS

Table 1-7 shows a trend toward presenting figures in thousands of dollars. Of the 242 companies presenting statements with figures rounded to the nearest thousand dollars, 159 companies rounded by showing the three zeros; the remaining 83 companies rounded by omitting the three zeros and stating the figures under a caption indicating "Thousands of dollars".

Five companies stated their figures in millions of dollars.

TABLE 1-7: ROUNDING OF AMOUNTS

Number of Companies*	1970	1969	1968	1960
Showing amounts to nearest dollar	352	380	413	556
Showing amounts to nearest thousand dollars:				
A: Presenting 000	159	148	132	20
B: Omitting 000 .	83	65	48	5
C: Other rounding	5	6	6	0
Showing cents ..	1	1	1	19
Total	600	600	600	600

*Refer to Company Appendix Section–A; 105, 241, 355, 451, 549,695; B: 33, 248,264,472,519,699; C: 127,202, 273.

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.

Additional items that are frequently disclosed in the notes to the financial statements include:

(1) Consolidation policies
(2) Acquisitions
(3) Description of long-term debt
(4) Computation of earnings per share
(5) Events subsequent to balance sheet date

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.

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:

ARMCO STEEL CORPORATION

The Financial Summary on pages 18-23 is an integral part of this statement.

ASHLAND OIL, INC.

See notes to consolidated financial statements and "Accounting Policies" on pages 27 and 28.

INTERNATIONAL HARVESTER COMPANY

The information referred to by page number above and the Basis of Financial Statements presented on page 20 are an integral part of this statement.

INTERNATIONAL MULTIFOODS CORPORATION

See accompanying notes to consolidated financial statements. Also see ten year comparative summary on page 24.

TABLE 1-8: NOTES TO FINANCIAL STATEMENTS

Method of Referral*	1970	1969	1968	1960
General reference on financial statements:				
A: Without direct references	161	161	164	78
B: With direct references at applicable captions	378	386	348	459
No general reference:				
C: Direct reference at applicable caption	52	43	75	
D: No reference to notes	9	10	13	43
No notes presented	--	--	--	20
Total	600	600	600	600

*Refer to Company Appendix Section–A: 146, 296, 433, 484, 539, 653; B: 60, 101, 231, 326, 550, 729; C: 73, 228, 486, 707; D: 120, 380, 596.

MARTIN MARIETTA CORPORATION

The financial information on pages 22 to 26 is an integral part of these statements.

OWENS-ILLINOIS, INC.

See pages 22 through 26 and Notes to Consolidated Financial Statements on pages 30 and 31.

PPG INDUSTRIES, INC.

The "Notes to Financial Statements" are an integral part of this statement.

Notes to Financial Statements

Note 9: Reference is made to pages 22 and 23 of the Financial Review section for additional information regarding extraordinary items; amounts required to complete capital projects approved prior to December 31, 1970; details of the provisions for taxes on income; and description of depreciation method.

RALSTON PURINA COMPANY

The above financial statements should be read in conjunction with pages 2 through 7 of the financial review.

SHELL OIL COMPANY

The notes on pages 25, 26 and 27 are an integral part of these statements.

UNITED AIRCRAFT CORPORATION

See pages 18 through 21 for Financial Comments.

FINANCIAL PRESENTATIONS NOT COVERED BY AUDITORS' REPORTS

Most of the annual reports in this survey contain a highlights presentation and a historical summary. These presentations of financial data are seldom 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.

Fourteen reports contained an historical summary, showing data as disclosed in previously published annual reports, supplemented by certain data restated to reflect the operations of acquisitions accounted for as poolings of interests. For examples of such presentations see companies 158, 307, 463, 468, 643.

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

Significant Frequently Used Words in Title of Historical Summary	1970	1969	1968
Summary	260	257	239
Financial	226	234	211
Review (or record)	115	116	123
Comparative (or comparison)	79	82	84
Statistics (or statistical)	58	59	56
Operations	43	N/C	N/C
Highlights	39	44	40
History (or historical)	21	22	20
Period Covered by Summary			
More than 10 years	24	32	20
10 years	326	323	353
5 years or more but less than 10	173	179	158
No historical summary presented	77	66	69
Total	600	600	600
Information Furnished			
Balance sheet and operating data	487	489	480
Operating data only	36	45	51
No historical summary preented	77	66	69
Total	600	600	600
Highlights of Operations Title Used*			
A Financial Highlights	232	234	223
B Highlights	101	114	200
C Other Titles Using Term "Highlights"	87	79	
D The Year in Brief, Results in Brief, In Brief, etc	46	48	53
E Other	62	76	66
No presentation of highlights	72	49	58
Total	600	600	600

*Refer to Company Appendix Section—A: 23, 240, 299, 344, 487, 663; B: 43, 127, 312, 475, 560, 711; C: 128, 308, 448, 500, 699; D: 44, 278, 357, 643, 730; E: 118, 241, 305, 468, 512.

Examples of Titles Used for Historical Summaries of Financial Data

AIR REDUCTION COMPANY, INCORPORATED

Ten Year Financial Review

Figures in thousands except per share data.

ARDEN-MAYFAIR, INC.
Ten Year Review of Financial Highlights
(Dollar figure in thousands except amounts per share

THE CARBORUNDUM COMPANY
Consolidated Five Year Comparisons

DIAMOND SHAMROCK CORPORATION
Historical Information
(In thousands of dollars, except per share of common stock and book value of common stock)

EASCO CORPORATION
5 Year Financial Summary and Comparative Statistics 1966-1970
(1) 1969 and prior figures give retroactive effect to acquisitions during 1969 and in January, 1970 of companies accounted for as poolings of interests.

FOOTE MINERAL COMPANY
Financial and Statistical Summary

HON INDUSTRIES INC.
Progress Report – 10 Years in Review

LEAR SIEGLER, INC.
7 – Year Comparative Highlights

McCORMICK & COMPANY, INC.
Historical Financial Summary

McGRAW-EDISON COMPANY
10 Year Financial Summary

THE MEAD CORPORATION
Ten Years In Review
Five Year Summary
Restated to include operation of pooled businesses prior to acquisition

MEREDITH CORPORATION
Ten Year Financial History
Dollar amounts in thousands except where noted

MINNESOTA MINING AND MANUFACTURING COMPANY
30 Year Record of Growth
(Dollars in thousands except amounts per share)

MOUNT VERNON MILLS, INC.
Five Year Consolidated Financial Data
(in thousands)

NEBRASKA CONSOLIDATED MILLS COMPANY
Financial Review
As reported in past years
Excludes McGehee Poultry Co. (1969 and prior years), Birdsey Flour Mills and Red Lion Milling Co. (1967 and prior years), Nixon & Co. (1963 and Prior years)
Five Years Restated
To include results of all pooled companies

THE PANTASOTE COMPANY
Five Years Summary of Financial Information

POTTER INSTRUMENT COMPANY, INC.
Historical Summary of Progress

PRATT & LAMBERT, INC.
Comparative Summary of Financial Data

SHELL OIL COMPANY
Ten Year Review of Financial Data
(dollars in thousands except per share amounts)

TOBIN PACKING CO., INC.
10 Year Operating and Financial Statistics

UNITED STATES STEEL CORPORATION
16 Year Story
U.S. Steels' Operating and Financial Story 1955-1970

WARNER-LAMBERT COMPANY
Ten-Year Financial Results
(stated in thousands of dollars, except per share amounts)

Examples of Titles Used for Financial Highlights

AMERICAN CYANAMID COMPANY
Highlights

ALBERTSON'S, INC.
Facts At a Glance

AMERICAN SEATING COMPANY
Two Years Compared

ASHLAND OIL, INC.
Two Years in Brief

THE BUDD COMPANY
The Year At A Glance

FAS INTERNATIONAL, INC.
Comparative Information

GENESCO INC.
Financial Summary

THE GOODYEAR TIRE & RUBBER COMPANY
The 1970 Story in Brief
Dollars in thousands, except per share

INDIAN HEAD INC.
The Year in Brief

JEWEL COMPANIES, INC.
Results In Brief

JOSLYN MFG. AND SUPPLY CO.
Facts in Brief

KENNECOTT COPPER CORPORATION
Results at a Glance

LIGGETT & MYERS INCORPORATED
Highlights of Operations

PALL CORPORATION
Fiscal Highlights

SQUARE D COMPANY
Summary of 1970 Operations
(000 omitted)

TENNECO INC.
Summary

UNION CAMP CORPORATION
Highlights for 1970

VOCALINE COMPANY OF AMERICA, INC.
Comparative Highlights

ACCOUNTING POLICIES

RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS

Restatements of prior year's financial statements, either in the form of a change in the beginning balance of retained earnings or a reclassification of accounts within the balance sheet or income statement, were made by 334 companies. Table 1-10 shows the various reasons for such restatements. Examples of restatement references follow. Additional examples of restatements involving a change in the beginning balance of retained earnings are presented in connection with Table 4-5. All such restatements were prior to the issuance of *Opinion No. 20— Accounting Changes* and therefore do not necessarily conform to the provisions of *Opinion No. 20.*

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

Beginning Balance of Retained Earnings Adjusted	1970	1969	1968	1965
Poolings of interests	97	150	163	49
Prior year's taxes	12	14		
Consolidation or de-consolidation of subsidiaries carried at cost	11	8	52	38
Litigation	5	11		
Other	22	33		
Reclassifications Within the Balance Sheet				
Change to or from current classification	41	101		
Consolidation or de-consolidation of subsidiaries carried at equity	15		149	77
Change to or from asset side of balance sheet	11			
Other	20			
Reclassifications Within the Income Statement				
Revenue and expense applicable to discontinued operations shown separately	27	n/C		
Change in presentation of income taxes	18	27	71	73
Change to or from single step form	11	21		
Other	54	68		
Total Presentations	344	433	435	237
Number of Companies				
With comparative prior year's statements restated	334	336	352	208
With comparative prior year's statements not restated	266	264	247	371
Without comparative prior year's statements	0	0	1	20
Total	600	600	600	600

AIR REDUCTION COMPANY, INCORPORATED
Notes to Financial Statements

Note 1: Extraordinary Items and Discontinued Operations—In 1970 and early 1971, the Company sold the Chemicals and Plastics business and certain Canadian properties and disposed of certain electronic product lines, resulting in an extraordinary charge to income of $10,500,000 (net of the related income tax effect of $6,737,000). The net sales and related expenses (including Federal income tax effects) applicable to discontinued operations prior to their sale or termination have

been excluded from the respective captions in the statement of consolidated income for both 1970 and 1969 and have been shown net under the caption "(Loss) Income From Discontinued Operations". Net sales relating to discontinued operations were $33,175,000, in 1970, and $53,599,000 in 1969.

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

Note B (in part): *Long Term Debt*—In 1970 the Company entered into a long-term lease for a new manufacturing facility which was still in process of construction at December 31, 1970. Inasmuch as the lease provides for annual rentals to cover principal of $575,000 and interest, and, upon liquidation of this indebtedness in 1983, for the continued use of the property at nominal annual rentals, the Company capitalized the principal payments payable under the lease and included this amount in property, plant, and equipment. In addition, the Company changed its accounting in 1970 for three other long-term leases, having comparable terms as the aforementioned lease, and accordingly, capitalized the remaining principal amounts under these leases. The capitalized amounts included in property, plant, and equipment are being depreciated over their estimated remaining lives. The 1969 financial statements have been restated on a comparable basis to give effect to this change in accounting for long-term leases. Consolidated net earnings for 1970 and 1969 were not affected by this change.

The net carrying amount of property, plant, and equipment subject to capitalized lease and other long-term note obligations at December 31, 1970 amounted to approximately $6,400,000.

AMERICAN HOSPITAL SUPPLY CORPORATION
Notes to Financial Statements

Note G: Income Taxes—The provision for domestic and foreign income taxes is comprised of the amounts shown in the table below.

The 1970 provision includes $613,861 which is payable in future years. There were no such deferred taxes in 1969.

Previously, state and local taxes were included in administrative expenses. The prior year's amounts have been restated to give effect to this change in classification.

Federal income taxes:	1970	1969
Basic taxes	$21,497,400	$23,219,601
United States temporary surcharge	500,779	2,197,484
United States Investment tax credit	(332,772)	(504,900)
	$21,665,407	$24,912,185
State and local income taxes	2,784,120	1,900,980
	$24,449,527	$26,813,165

BOISE CASCADE CORPORATION
Notes to Financial Statements

Note 2 (in part): *Realty*—The Corporation's realty subsidiary differs from its other operations in that it carries a higher ratio of debt to investment and has a business cycle extending over several years. Accordingly, all the assets and liabilities of this subsidiary are presented under separate "Realty" captions and the 1969 balance sheet and statement of changes in financial resources have been restated to reflect this presentation. The Corporation's net investment in its realty subsidiary at December 31, 1970, was $142,406,000.

COPPERWELD STEEL COMPANY
Notes to Financial Statements

Note 7: The total liability for pension payments to former employees of Superior Steel Division, as actuarially determined, was deducted from taxable income in the 1969 income tax return, filed in 1970. As a result, the financial statements for 1969 have been restated to reflect a reclassification of $2,727,798 from provision for current year income taxes to deferred taxes and to reflect in the statement of financial position the Federal income taxes recoverable of $2,149,907. Net income as reported in 1969 did not change as a result of this reclassification. The Federal income taxes recoverable at December 31, 1970 represent claims to be filed for overpayments of 1970 taxes and for carryback of investment tax credits.

OGDEN CORPORATION
Notes to Financial Statements

Note 1(in part): *Principles of Consolidation, etc.*—In 1970, the Corporation received 70,277 shares of its common stock in connection with a recision of a "pooling of interests" transaction recorded in 1969. The accompanying 1969 financial statements have been restated to give effect to this transaction.

Note 5: Restatement of Common Stock and Capital Surplus—The restatement of common stock and capital surplus at December 31, 1969, and changes in these accounts during 1970 are as follows:

	Common Stock	Capital Surplus
As reported in 1969 annual report	$5,413,000	$58,879,000
Adjustment arising from recision of "pooling of interests" transaction	(35,000)	7,000)
As restated	$5,378,000	$58,872,000
Adjustment of shares issued and cost of prior years' poolings	10,000	(69,000)
Conversion of 206 shares of $1.875 preferred stock	1,000	
Purchase of Treasury shares	(43,000)	(893,000)
Balance, end of year	$5,346,000	$57,910,000

Note 10: Prior-Period Adjustments—Earned surplus at January 1, 1969, and results of operations for 1969 (net of applicable Federal income taxes of $661,000 and $1,625,000 respectively), and earnings per share have been restated to reflect the following:

	Net Income	Earned Surplus at Jan. 1, 1969
As reported in 1969 annual report	$9,004,000	$125,282,000
Reduction of claim against U.S. Navy relating to the construction of seven destroyer escorts	(1,358,000)	
Settlement of Federal income taxes for the years 1959-1964		(1,324,000)
Settlement of prior years' state and local taxes, etc.	(148,000)	(535,000)
Adjustment arising from recision of "pooling of interests" transaction	(39,000)	(519,000)
As restated	$7,459,000	$122,904,000

PET INCORPORATED

Financial Review (page 20)

Principles of Consolidation and New Investments (in part)— The consolidated financial statements include the accounts of Pet Incorporated and all subsidiaries. The accounts of foreign subsidiaries have been translated at the appropriate rates of exchange.

Starting in Fiscal 1970, the Company adopted the policy of consolidating its wholly-owned financing subsidiary, Hussmann Acceptance Co., and, accordingly, the accompanying financial statements for Fiscal 1969 have been restated. This restatement did not change the amounts previously reported as consolidated net earnings or earnings invested in the business, since the Company's investment was previously stated at equity in its net assets and the annual increase in equity was included in net earnings.

A. O. SMITH CORPORATION

Notes to Consolidated Financial Statements

Note 8 (in part): *Restatement of 1969 financial statements*—The Company's investment in Armor Elevator Company, Inc. was shown as a separate item under other assets in the 1969 consolidated financial statements, as the allocation of the purchase price was dependent upon completion of audits and appraisals which were not completed until April 1970. The accompanying consolidated balance sheet at December 31, 1969, gives effect to a restatement in which the accounts of Armor Elevator Company, Inc. have been included as follows:

Current assets		$16,328,003
Other assets		977,500
Plant and equipment		5,141,777
Excess cost of investment in subsidiary over net assets at date of acquisition		5,342,832
		27,790,112
Current liabilities	$10,693,699	
Long-term debt due after one year	1,452,634	
Deferred federal income taxes	52,725	
Minority interest	253,302	12,452,360
Investment in Armor Elevator Company, Inc.		$15,337,752

TECUMSEH PRODUCTS COMPANY

Note C: In accordance with Opinion number 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants, provision for product guarantee has been re-stated as of December 31, 1969 to reflect the future income tax benefits of charges against book income in prior years that were not deductible for tax purposes. This restatement has no effect on net income for the year 1970.

UNITED BRANDS COMPANY

Notes to Consolidated Financial Statements

Purchase of United Fruit in 1969 (in part): The Company, with the assistance of independent appraisers, undertook a study in 1969 to determine the fair value of the United Fruit assets acquired and liabilities assumed and whether any portion of the excess cost of this investment should be allocated to specific assets acquired or liabilities assumed. This study was completed in March 1971 and the assets acquired and liabilities assumed were recorded retroactively as of January 1, 1969, at their fair values. Where appropriate, these values take into account the effect of differences between appraised values and income tax bases and the present value of future benefits and costs. As a result of this study, $91,520,000 of the excess cost was allocated to the net assets acquired and the 1969 financial statements have been restated to give effect to this valuation.

Restatement of 1969 Financial Statements— The effect of the valuation and pooling of interests on the previously reported December 31, 1969 balance sheet is summarized as follows:

	Previously Reported	As Restated
	(in millions)	
Working capital	$153.1	$153.9
Property, plant and equipment, net	270.0	329.4
Trademarks and leaseholds	--	64.2
Excess cost of investments over net assets at acquisition	386.0	279.5
Other assets	69.5	75.4
	878.6	884.4
Long-term debt	314.6	320.4
Minority interest in United Fruit Company	62.9	--
Other long-term liabilities	42.1	50.8
	419.6	371.2
Net assets and shareholders' equity	$459.0	$513.2

The valuation and pooling of interests resulted in changes to previously reported 1969 income as follows:

(in millions except per share amounts)	Previously Reported	As Restated
Income before income taxes and other items	$49.9	$47.8
U.S. and foreign income taxes	21.6	23.0
Income before minority interest and extraordinary items	28.3	24.8
Minority interest in United Fruit	5.8	.4
Income before extraordinary items	22.5	24.4
Extraordinary items	10.0	4.3
Net income	$32.5	$28.7
Earnings per share:		
Primary:		
Income before extraordinary items	$2.69	$2.09
Extraordinary items	1.20	.39
Net income	$3.89	$2.48
Fully diluted:		
Income before extraordinary items	$2.42	$2.07
Extraordinary items	.54	.16
Net income	$2.96	$2.23

DISCLOSURE OF ACCOUNTING POLICIES

Twenty-six companies, 12 of which are petroleum companies, discussed in a note or a separate section, the accounting policies upon which their financial statements were based. The Accounting Principles Board is considering an opinion on this subject. Examples of accounting policy discussions follow.

ASHLAND OIL, INC.
Accounting Policies (page 27)

Ashland's significant accounting policies are summarized below to assist the reader in reviewing the Company's financial statements and other data contained in this report.

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 and the resulting gain or loss included in income.

Inventories

Inventories at September 30, 1970, include crude oil of $25,382,000 and products of $126,796,000. Approximately 44 per cent of the crude oil and product inventories are stated at LIFO cost and the remainder at cost determined under the first-in, first-out or average cost methods. The aggregate cost of inventories is not in excess of market.

Accounting for Oil and Gas Properties and Expenditures

With respect to United States (except Alaska) 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. Lease acquisition costs and tangible and intangible costs of productive wells are capitalized. Lease costs are written off upon abandonment and producing property costs are amortized on a unit-of-production method over estimated recoverable oil and gas reserves of the individual leases. Annual lease rentals are charged to income.

With respect to other areas, the Company capitalizes all exploration costs, including both productive and nonproductive well drilling costs applicable to the exploration for and development of oil and gas reserves; such capitalized costs are amortized on a composite basis for each area on the unit-of-production method. 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.

During 1970 Ashland Oil acquired (through a combination of purchase and contribution of properties) an 89 per cent interest in a Canadian Company, Canadian Gridoil, Ltd. (now Ashland Oil Canada Limited) and retroactively adopted for all of its Canadian oil and gas operations the full costing policy of accounting for exploration and production costs employed by Canadian Gridoil. All prior years have been retroactively adjusted for this change. The change resulted in an increase in net income for 1970 of $532,000, or 2.5 cents per share, an increase in net income for 1969 of $1,078,000 of 5.2 cents per share, and an increase in retained earnings as of September 30, 1970 of $6,000,000.

The 1969 financial statements have also been restated for a reclassification (which did not affect net income) of retirements from depreciation, depletion, amortization and retirements to cost of sales and operating expenses.

Deferred income taxes are provided for all significant timing differences, including an additional amount provided in consolidation on income reported by Ashland Oil Canada Limited.

International Operations

The Company's investment in net assets outside the United States and Canada was $45,441,000 at September 30, 1970 and consolidated net income from such operations amounted to $2,709,000 for 1970 (before extraordinary items) and $3,920,000 for 1969.

Production Payments

The Company capitalizes the cost to produce minerals dedicated to production payments, and amortizes

such costs using the unit-of-production method. These costs are deducted as incurred for income tax purposes.

Depreciation

Depreciation of plant and equipment (other than oil and gas production properties) is determined generally on a straight line basis over the estimated useful lives of the assets. Accelerated depreciation methods are used for income tax purposes and deferred income taxes are provided for the resulting timing differences.

AMERICAN SEATING COMPANY

Notes to Consolidated Financial Statements

Accounting Principles Followed:

The following summarizes the accounting principles applied to designated items:

Consolidation—the consolidated financial statements include the accounts of the company and all subsidiaries. All subsidiaries are wholly owned. Intercompany balances, transactions and stockholdings have been eliminated in consolidation.

Inventory Valuation—valued at lower of cost (first-in, first-out) or market. Maintenance, operating and office supplies are not inventoried.

Federal income taxes—deferred income taxes result primarily from the use, for tax purposes, of accelerated depreciation methods (straight-line method is used for financial reporting), of the installment method of accounting for deferred payment sales, and of the LIFO method of inventory valuation for one subsidiary. The portion thereof resulting from the installment and LIFO methods is included with current liabilities. Investment tax credits of approximately $150,000 in 1970 (mostly related to new foundry equipment) and $48,000 in 1969 have been taken into earnings as reductions of current income tax provisions.

Design research, development and patent costs—are expensed as incurred.

Interest on borrowed funds used during major construction programs is added to the cost of the projects. During 1970 interest of $179,134 was included in the foundry construction cost.

Pension costs—the company and its subsidiaries have several pension plans covering substantially all employees. The total pension expense for the year includes amortization of prior service cost over periods of 30 and 40 years. The company's policy is to fund pension costs accrued. The actuarially computed value of the vested benefits for all plans as of January 1, 1970, exceeded the total of the pension fund and balance sheet accruals by $2,400,000. The company's consulting actuaries estimate that as of January 1, 1970 the amount required to fund the past service costs was approximately $8,400,000. Some of the pension plans, including those negotiated with the Unions, have been amended effective January 1, 1971 to increase benefits which will result in some increase in costs

ARMCO STEEL CORPORATION

Financial Summary (page 18)

Note 1: Basis of Financial Statements—

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all subsidiary companies except leasing and insurance companies (see pages 24-26). Investments in subsidiaries not consolidated and in 50% owned companies are stated at cost plus equity in undistributed earnings since acquisition, which is Armco's equity in their net assets; all other investments are stated at cost. Armco's equity in the net assets of subsidiaries consolidated exceeded its investment by $56,020,000 and $45,515,000 at December 31, 1970 and 1969, respectively. In consolidation $66,342,000 at December 31, 1970, and $56,706,000 at December 31, 1969, have been included in income retained in the business and $10,322,000 and $11,191,000, respectively, was classified as excess of cost over equity in net assets of purchased businesses. This amount has not been amortized since, in the opinion of management, there has been no diminution in the value of the acquired businesses.

Certain 1969 amounts have been reclassified to conform with 1970 classifications.

Accounting for Acquisitions

During 1970, Armco acquired the net assets and businesses of three companies in exchange for 258,819 shares of common stock. One of the acquisitions was accounted for as a pooling of interests, but the consolidated financial statements for prior years were not restated since the effect thereon was not material. The other acquisitions did not qualify for the pooling of interests method of accounting and, accordingly, were accounted for as purchases.

In 1970, the fiscal year of HITCO and subsidiaries was changed from October 31 to December 31 and their net income for the two months ended December 31, 1969, was credited to income retained in the business.

Translation of Foreign Currencies

The accounts of foreign subsidiaries have been translated from local currencies into United States dollars as follows: property, plant and equipment at exchange rates prevailing when the assets were acquired; other assets and liabilities at current exchange rates; and sales, costs, and expenses at the average exchange rates for the period, except that depreciation charges have been translated at the exchange rates prevailing when the assets were acquired. Unrealized losses which result from translation of foreign currencies into dollar equivalents have been charged against income. Exchange regulations prevail in certain foreign countries.

Depreciation Policy

The general range of depreciation rates used by Armco to amortize, on the straight-line method, the cost of various classes of depreciable assets over their estimated useful lives is as follows: land improvements 5%; buildings 2%-3%; machinery and equipment 5%-10%; other 7%-33%. Leasehold costs are amortized over the shorter of the life of the related asset or the life of the lease.

For federal income tax purposes, accelerated methods of depreciation are used and deferred income taxes are provided on the difference between the depreciation expense for financial accounting purposes and that for income tax purposes.

Computation of Income per Share

Income per share of common stock was determined by dividing the weighted average number of shares of common stock outstanding during each year into net in-

come less dividends (pro forma for 1969) on the $2.10 preferred stock. Common stock equivalents have no material dilutive effect on income per share.

ATLAS CHEMICAL INDUSTRIES, INC.

Principles of Statement Presentation (page 16)

The accounting principles that affect the more significant elements of the Company's financial statements are summarized below. They have been followed on a basis consistent with 1969.

Marketable Securities

Valued at cost, which approximates market value at December 31, 1970. Marketable Securities with maturity dates beyond one year are classified under "Investments" because it is expected that they will be used to finance future expansion.

Inventories

Valued essentially at lower of average cost or market. Interplant and intercompany profits are eliminated from inventory valuations.

Land, Buildings and Equipment

Items capitalized as part of land, buildings and equipment, including significant betterments to existing facilities, are valued at cost.

Maintenance and Repairs

These costs are expensed as incurred.

Depreciation

For financial statement purposes, depreciation is computed on each individual asset by the straight line method at rates adequate to recover the cost of the applicable assets over their expected useful lives.

For income tax purposes, depreciation is computed by accelerated methods applied to composite groupings of assets.

Deferred Income Taxes

Since the depreciation claimed for income tax purposes is in excess of the amounts shown in the Company's financial statements, a provision is made annually for the amount of income tax deferred. In future years, if the depreciation charges for income tax purposes are less than the depreciation charges provided for in the financial statements, an appropriate portion of the deferred income tax will be restored to earnings. The Company also recognizes the deferred tax effect of other differences between book and tax accounting.

Investment Credit

The investment credit was repealed as of April, 1969 so that the credit included in 1970 earnings amounted to only $99,000, representing principally amortization of credits deferred prior to 1964. In 1969 the credit was $261,000.

Research and Development

These costs are expensed as incurred.

Subsidiary Companies

The consolidated financial statements include all of the Company's domestic and foreign subsidiaries and all intercompany transactions are eliminated in consolidation. Accounts of foreign subsidiaries have been converted to U. S. dollars at appropriate exchange rates, generally at the free rate prevailing at year-end. There were no material gains or losses on foreign exchange in 1970.

Affiliated Companies

The Company's investment in the non-consolidated, approximately 50 percent-owned companies is carried at cost, adjusted for Atlas' share of net earnings of such companies which is included currently in consolidated net earnings for the year. Consolidated retained earnings at December 31, 1970 included $3,907,000 with respect to these companies.

BOISE CASCADE CORPORATION

Notes to Financial Statements

Note 1: Principles of Reporting and Accounting—

Consolidation—The financial statements include the accounts of the Corporation and all subsidiaries in which it holds a majority interest. Equity in the income of controlled 50% owned companies is recorded when earned. For less than 50% owned companies and marketable securities, the investment is carried at cost unless a permanent decline in value is deemed to have occurred; income is recorded when dividends are declared. Marketable securities, based on exchange closing prices, were valued at $45,579,000 as of December 31, 1970, and $47,815,000 as of February 26, 1971.

Poolings of Interests—During 1970 the Corporation issued 317,717 shares of common stock in exchange for the businesses and net assets of other companies in transactions accounted for as poolings of interests. Accordingly, the financial statements have been restated to include the accounts and operating results of these companies from January 1, 1969.

Foreign operations—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, excluding Canada, was 46% of net income in 1970 and 26% in 1969. The Corporation's net investment in foreign countries, excluding Canada, was $346,746,000 at December 31, 1970, and $352,744,000 at December 31, 1969.

Revenue recognition—Revenue from long-term engineering and construction contracts is recognized on the percentage-of-completion basis.

A sale is recognized in recreation community projects when a cash down payment of at least 10% on the principal amount has been received and a formal contract has been executed. When an installment note is received in lieu of full cash payment, revenue is reduced by discounting the receivable to yield two percentage points in excess of the prime commercial rate, or 9%, whichever is greater.

A sale is recognized in residential community projects when the customer takes possession of the home. Such sales are generally financed through third parties.

Land costs and other common project improvement costs are allocated to each recreation and residential community sales unit on the basis of estimated relative sales values of the units. Included in such common costs are project and administration, property taxes, and pre-operating expenses. Interest is capitalized in all residential community projects.

Income taxes—Taxes are provided for all items included in the income statement regardless of the period when such items are reported for tax purposes. The principal items that result in timing differences for financial and tax reporting purposes are depreciation methods and income recognition on installment sales contracts. Investment tax credits are recognized in the year the assets, which give rise to the credits, are placed in service.

Net income per share—Net income per share is based on the total of the average shares of common stock actually outstanding during the year, the shares of common stock issuable upon exercise of stock options granted and, in 1969, conversion of the Corporation's $1.40 cumulative convertible preferred stock (all of which shares were converted or redeemed for cash in 1969).

CATERPILLAR TRACTOR CO.
Accounting Practices (page 21)

The significant accounting practices followed by the Company in determining profit are as follows:

Basis of Consolidation

All companies described as subsidiaries of Caterpillar Tractor Co. are wholly owned. The consolidated results of operations include all subsidiaries, but the consolidated financial position excludes Caterpillar Credit Corporation and Caterpillar Overseas Credit Corporation S. A. Investments in these credit company subsidiaries are carried at cost plus the profit retained by them. Affiliated companies (Note 2) are not consolidated and are carried at cost.

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 determine reported profits without including therein a major portion of the increases in inventory costs which result from rising price levels.

Depreciation

Depreciation is computed principally on the "sum-of-the-years-digits" method for both income tax and financial reporting purposes. This method results in a larger allocation of the cost of buildings, machinery and equipment to operations in the early years of the lives of assets than does the straight-line method.

The depreciation rates used are principally based on the "guideline" lives established by the U.S. Internal Revenue Service.

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.

Research and Development Costs

Research and development costs related to both future and present products are charged against operations as incurred.

Investment Credit

Investment tax credits are accounted for on the "flow-through" method, which recognizes the benefit in the year in which the assets which gave rise to the credit are placed in service. This is consistent with the treatment for income tax purposes. The alternative method would allocate the credit over the depreciable lives of the related assets.

CONTINENTAL OIL COMPANY
Accounting Policies (page 41)

A summary of Continental's major accounting policies is presented below to assist the reader in evaluating the Company's financial statements and other data contained in this report.

Principles of Consolidation: Consolidated financial statements include the accounts of Continental and majority-owned subsidiaries. Income from affiliates not consolidated is recognized when dividends are declared.

Inventories: Inventories of crude oil, refined products and other merchandise are carried at cost, which is lower than market in the aggregate. Cost has been determined under the last-in, first-out method for approximately 46% of the inventories, and the cost of the remainder has been determined under the first-in, first-out and average cost methods. Materials and supplies are carried at or below average cost.

Leasehold Costs: Costs of acquiring nonproducing acreage are capitalized. Costs of such acreage which becomes productive are amortized on a unit-of-production basis. Costs of nonproductive petroleum acreage in the United States are amortized on a composite basis at rates based on past experience. Costs of leases surrendered or otherwise disposed of are charged to the accumulated amortization reserve. The Company adopted the practice of amortization in 1970, whereas in prior years, costs of non-productive petroleum acreage in the United States were carried in the accounts until surrendered or otherwise disposed of, at which time the full amount was charged against income. The cost of certain foreign concessions and nonproducing leases is being amortized over their estimated holding period.

Exploratory and Development Costs: Exploratory expenses, including geological and geophysical costs and annual delay rentals, and all dry-hole costs are charged to income as incurred.

Intangible development costs applicable to productive oil or gas wells or to the opening of new coal mines are capitalized and amortized on a unit-of-production basis. Costs of additional mine facilities required to maintain production after a mine reaches the production stage, generally referred to as "receding face costs," are charged to expense as incurred; however,

costs of additional air shafts and new portals are capitalized and amortized.

Production Payments: Costs of producing oil and gas (lifting costs) applicable to production payments, which are reserved against properties which the Company has purchased, are capitalized and amortized over the Company's estimated net recoverable petroleum reserves. Costs of producing coal (mining costs) applicable to the production payment, which is reserved against properties which the Company has purchased, are capitalized and amortized using per-ton rates designed to write off the capitalized mining costs over the Company's share of the estimated tonnage to be produced in a thirty-year period.

Depreciation: Depreciation of plant and equipment is provided substantially on a straight-line method at various rates calculated to extinguish the book values of the respective items over their estimated useful lives.

Retirements: The general policy with respect to accounting for profit and loss on disposal of property, plant and equipment is to credit or charge such amounts to accumulated depreciation. An exception arises on the disposal of an entire property unit. In which event the profit or loss is credited or charged to income.

Maintenance and Repairs: Maintenance and repairs are charged to income. Renewals and replacements of a routine nature are charged to income, while those which improve or extend the life of existing properties are capitalized.

Income Taxes: The Company's income tax allocation procedures conform to the allocation method approved by the Accounting Principles Board in Opinion No. 11 issued by the American Institute of Certified Public Accountants. The principal items of difference giving rise to income tax allocation result from deducting costs of nonproductive petroleum acreage when surrendered, deducting mine development costs and lifting and mining costs as incurred, and deducting different amounts of depreciation for tax purposes. No provision is made with respect to differences of a permanent nature such as those arising from statutory depletion allowances and U.S. income tax deductions for intangible development costs on productive oil and gas wells.

For financial statement purposes, investment credits subsequent to 1967 have been used to reduce the current and deferred income tax provision. Investment tax credit carryforwards are taken into income as they are subsequently used.

GENERAL MILLS, INC.

Accounting Methods used by General Mills (page 18)

Accounting methods used by various companies differ. A brief description of the principal procedures used by General Mills may, therefore, be helpful in reading the company's financial reports.

Subsidiary Companies

Earnings of General Mills include the company's share of the profits or losses of all subsidiaries in which we own an interest of 50 per cent or more. Earnings include only the dividends received from companies in which our interest is less than 50 per cent. The full amount of sales and costs of companies in which General Mills owns a majority interest are included in the results of operations.

Sales, costs and earnings of businesses purchased for cash are included in the results of operations from the date of acquisition. Businesses acquired by issuance of stock have been included in financial reports as though they had been a part of General Mills for the periods presented under pooling of interests accounting.

Financial information concerning foreign operations is translated to U. S. dollars based on applicable currency exchange rates.

Extraordinary Items

On April 11, 1970, The Smiths Food Group Limited, an English subsidiary, was reorganized and the assets transferred to a domestic subsidiary of General Mills. At the same time, "excess of cost over net assets of consolidated subsidiaries" related to the purchase of this English subsidiary was written off, resulting in an extraordinary charge of $13,087,000 (net after related income taxes of $4,067,000) in the earnings statements.

During the past year, General Mills sold its interest in Viking International, S.A., a Belgian subsidiary of The Gorton Corporation. The company also sold most of the assets of Morton Foods, Inc., and a reserve has been established for anticipated losses resulting from future disposition of the remaining Morton assets. During the past two fiscal years, Morton's volume represented about three per cent of total General Mills sales, and its contribution to total operating profits was marginal. About half of Morton's volume was in snack and other consumer food items; the remainder was in commercial items. Estimated losses resulting from these dispositions, totaling $1,979,000 (net after related income taxes of $1,449,000), have been included in the results of operations as an extraordinary item.

In its early years, General Mills created two reserves out of earnings to provide for unusual costs arising from self-insurance risks or for unusual research and development expenditures. It was contemplated that unusual costs or expenditures of this nature would be charged against the reserves and thereby have no adverse effect on the company's results of operations. Accounting rules have changed since these reserves were established, and any such charges must be included in the results of operations for the year in which they are incurred. Accordingly, the company eliminated these reserves during the past year, resulting in extraordinary income of $1,522,000 (no related income taxes) in the earnings statements.

Earnings per Share

In determining earnings per common share, we include the average number of common shares outstanding plus what are called "common share equivalents." Common share equivalents include common shares which may be issued under varying circumstances in the future. For General Mills, these include:

- Shares to be issued as a result of possible conversion of preference stock.
- Shares for certain stock options.
- Treasury shares purchased for officers and employees under a profit sharing plan.
- Shares for the former stockholders of Kenner Products Company earned through profit performance under the contract for acquisition of this business.

Determination of Income

The following accounting methods have been applied from year to year in the determination of income:

Inventory pricing results in a *value* which approximates the cost of the most recently purchased materials making up the inventory.

A portion of the cost of buildings and equipment is charged against earnings each year as depreciation expense. This amount is computed by the straight-line method, which means that approximately equal amounts of depreciation expense are charged against operations each year during the useful life of the building or machine. For tax purposes, however, accelerated methods of depreciation are used which take more depreciation expense in the early years than in the later years of the useful life of the property. In addition to depreciation, other significant differences between amounts in our earnings statements and in our income tax returns are deferred compensation paid to officers and employees under a profit sharing plan, provisions for disposition of certain operations and write-off of "excess of cost over net assets of consolidated subsidiaries." Earnings are charged currently for deferred taxes resulting from these differences. Earnings also are charged with the year-by-year reduction in value resulting from the expiration of patents, copyrights and contracts, usually acquired through the purchase of businesses.

Amounts for research and development are charged against earnings for the year in which they are spent.

PORTEC, INC.

Notes to Consolidated Financial Statements

Accounting Methods: Depreciation and amortization —Plant and equipment items are depreciated principally on a straight-line basis over estimated lives thereof. For tax purposes, accelerated and guideline depreciation procedures of the Internal Revenue Code are utilized.

Deferred taxes—Deferred federal taxes on income represent reduction in income tax currently payable and arise primarily from the use of tax depreciation methods.

Patents—Costs of purchased patents are amortized over the remaining lives of the patents acquired. Costs of securing patents within the Company are charged to current operations.

Investment credit—The Company reflects the investment tax credit in earnings over the lives of the assets acquired. As a result, depreciation expense has been reduced by $15,526, representing the amortization of prior-year credits.

Long-term contracts—Income and costs applicable to long-term building construction contracts are recognized on the percentage-of-completion method.

Pension costs—The Company and its consolidated subsidiary provide pension benefits for substantially all employees. Under the policy of the Company to fund pension costs accrued, all costs of the current year aggregated $328,147, including amortization of prior-service costs over periods ranging from ten to forty years, where applicable. Total assets in the plans exceeded actuarially estimated values of vested benefits at December 31, 1970. Reference is made to the President's letter relative to changes in the pension plan and the new investment plan for salaried employees, both effective January 1, 1971.

THE STANDARD OIL COMPANY (An Ohio Corporation)

Accounting Policies and Practices (page 28)

The Standard Oil Company and subsidiaries' accounting and reporting policies conform to generally accepted accounting principles and to industry practices on a consistent basis between periods. The following is a description of certain significant accounting policies and practices.

Consolidation—The Consolidated financial statements include the accounts of the parent company and all significant majority-owned subsidiaries. Investments in companies owned 50 percent or less are carried at cost. Income from companies not consolidated is recognized only when dividends are declared.

Intercompany transactions have been eliminated. Appropriate rates of exchange have been used to translate foreign currency amounts into United States dollars, and the effect of such translations was not significant.

Inventories—Inventories are stated at cost, which is not in excess of replacement market value. The LIFO (Last-in, first-out) method is used for approximately 40 percent of crude oil, products, and merchandise inventories. The FIFO (first-in, first-out) and average methods are used for the remainder of the inventories.

Exploration expenses——Exploration expenses, including geological and geophysical expenses, delay rentals, and dry holes costs are charged against income as incurred.

Development costs—Drilling and development costs of producing oil and gas wells and other natural resource properties are capitalized and amortized by the unit-of-production method. Where these costs are related to nonproducing natural resource properties, they are charged against income as incurred. For Federal income tax purposes all intangible drilling and development costs are deducted when incurred.

Maintenance and Repairs—Routine maintenance, repairs, renewals, and replacement costs are charged against income. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized. Costs of additional mine facilities required to maintain production after a mine reaches the production stage are charged to expense as incurred; however, costs of additional air shafts and new portals are capitalized.

Depreciation and Depletion—Depreciation of property, plant, and equipment, except for that associated with oil and gas production and coal mines, is provided substantially by the straight-line method at rates calculated to extinguish the cost over estimated useful lives. Depletion and depreciation of producing oil, gas, and mineral properties are computed at rates applied to the units of production on the basis of estimated recoverable oil, gas, and mineral reserves. Undeveloped leasehold costs are amortized at rates based on experience.

Property retirements—Upon sale or retirement of property, plant, and equipment, the cost and related accumulated depreciation and depletion are eliminated

from the respective accounts and the resulting gain or loss is included in current income.

Research costs—Research and product development costs are charged against income as incurred.

Deferred income taxes—Deferred income taxes are provided for timing differences between financial and taxable income. A principal timing difference arises from the use of accelerated depreciation methods for tax purposes and the straight-line method for financial reporting. The tax effect of such differences is included annually in the income statement and in deferred income taxes in the balance sheet. In accordance with the predominant industry practice, no provision for deferred income taxes is made when the differences between financial and taxable income are permanent in nature, such as statutory depletion and intangible drilling and development costs.

Investment tax credit—The investment tax credit is recorded on the flow-through method as a reduction of the provision for Federal income taxes. Refundable Federal income taxes, arising from the investment tax credit for 1970 carried back to prior years, are included in accounts receivable.

TABLE 1-11: ACCOUNTING CHANGES

Nature of Accounting Change	1970	1969
Consolidation policy	33	34
Basis of carrying investments in subsidiaries	21	
Depreciation method	21	35
Pricing of inventories	11	15
Capitalizing or expensing of expenditures	10	16
Accounting estimates (pension actuarial assumptions and lives of depreciable assets)	16	N/C
Other	26	42
Total Accounting Changes	138	142
Financial Statement Disclosure		
Restatement of prior year's financial statements	42	61
Effect on current year's net income disclosed	76	73
Effect on prior year's net income disclosed	9	8
Effect on net income not disclosed	11	
Total	138	142
Number of Companies		
Accounting changes disclosed	118	121
No accounting changes disclosed	482	479
Total	600	600

ACCOUNTING CHANGES

Table 1—11 summarizes the nature of accounting changes disclosed by the survey companies and the manner in which such changes were reflected in the financial statements. The examples of accounting changes which follow illustrate reporting requirements in effect at the time the survey companies rendered their financial statements for publication. These reporting requirements will be superseded by requirements stated in *Opinion No. 20— Accounting Changes,* issued in July 1971 by the Accounting Principles Board, which "defines various types of accounting changes and establishes guides for determining the manner of reporting each type." The requirements of *Opinion No. 20* will be effective for fiscal periods beginning after July 31, 1971. Additional examples of accounting changes are presented in connection with Tables 4-5 and 6-9.

Change in Accounting Principles

ALLIED CHEMICAL CORPORATION

Notes to Financial Statements

Property, Plant and Equipment (in part)—Depreciation and amortization is computed for groups of assets using lives which range from 3 to 33 years. Effective January 1, 1970, the Company changed its principal method of computing depreciation for financial reporting purposes from the sum-of-the-years-digits to the straight-line method for new capital additions while continuing the former method for assets acquired prior to 1970. The accelerated method is being retained for tax purposes. The effect of this change in depreciation method was to increase net income for the year 1970 by approximately $875,000 (3 cents per share).

HARRIS-INTERTYPE CORPORATION

Notes to Financial Statements

Note D: Depreciation—In accordance with the general trend in reporting depreciation by manufacturing companies, the parent corporation, which has approximately half of the total depreciable assets, changed to the straight-line method of computing depreciation for financial reporting purposes as of July 1, 1969. The subsidiaries, which have the other half of the depreciable assets, remain substantially on accelerated methods. This change increased net earnings for the year by $270,000 or $.04 per share. Both the parent and its subsidiaries continue to use accelerated methods for tax purposes.

RIEGEL PAPER CORPORATION

Notes to Consolidated Financial Statements

Note 8: Change in Accounting Practice—Prior to 1970, the Company expensed, as incurred, certain costs relating to its woodlands operations. Beginning in 1970, such costs are being capitalized and charged against current and future operations through provisions for depletion. The change in accounting practice decreased the net loss for the fiscal year ended January 3, 1971 by $456,000 or $.10 per common share.

Change in Accounting Estimates

BORG-WARNER CORPORATION
Financial Review

Pensions—Most Borg-Warner employees are covered by pension plans, with their annual cost paid to various trustees. In 1970, the pension expense was $8.3 million and in 1969, $8.1 million. This expense includes both current costs and prior service costs, as determined by outside actuaries. The prior service costs generally are funded over a period of 30 years.

For some of the pension plans, the vested benefits (those not requiring future service to Borg-Warner) as computed by the actuaries as of December 31, 1970, exceeded the market value of the related pension funds and balance sheet accruals by approximately $16.3 million.

During 1970, certain assumptions used in the actuarial computation of pension costs were changed. These changes had the effect of decreasing pension expense by approximately $2.7 million, which increased 1970 net earnings by approximately $1.4 million.

SCOPE INDUSTRIES
Notes to Consolidated Financial Statements

Note 6 (in part): *Depreciation, Depletion and Amortization*—Effective August 1, 1969, the Company extended the estimated original useful lives of certain drilling equipment from eight to twelve years and reduced the estimated lives of other drilling equipment from eight to six years. As a result the fiscal year 1970 depreciation was reduced by $164,100 and net income was increased $76,200.

PRODUCT LINE REPORTING

In *Statement No. 2—Disclosure of Supplemental Financial Information by Diversified Companies,* issued September 1967, the Accounting Principles Board commented on an "increasing trend by diversified companies to disclose" supplemental financial information as to the revenue and/or income of their business segments and concluded that further study was necessary before making a definitive pronouncement on the subject. The Accounting Principles Board is currently considering an opinion which would require a diversified company to disclose in its financial statements the revenue and income (before income taxes and extraordinary items) of its businesss segments. Such information is required by the SEC to be disclosed in Form 10K.

Tables 1-12 and 1-13 analyze the types of revenue and income information for business segments disclosed in the annual reports of the survey companies. With few exceptions such information is not covered by the accountants' opinion. Examples of disclosures of business segment revenue and income follow.

TABLE 1-12: PRESENTATION OF REVENUE INFORMATION

Revenue information Presented	1970	1969	1968
By product line	162	152	140
By division or subsidiary	139	117	65
Total foreign sales	116	103	53
Sales to government	53	61	35
Sale to particular industry or type of customer	54	58	46
By geographic areas	17	19	32
Total	541	510	371
Number of Companies			
Presenting information as to source of revenue	335	319	264
Not presenting such information	265	281	336
Total	600	600	600

TABLE 1-13: PRESENTATION OF INCOME INFORMATION

Income Information Presented	1970	1969	1968
Analysis of income			
Domestic:			
By divisions, departments or subsidiaries	70	53	26
By product line	59	30	27
Other	17	12	3
Foreign:			
Total income	96	87	37
Income by geographic areas	16	12	13
Subtotal	258	194	106
Separate financial presentations for subsidiaries or groups of subsidiaries			
Domestic	63	48	32
Foreign	16	17	12
Subtotal	79	65	44
Comment on segment of business operating at a loss			
Domestic:			
Division or department	25	24	6
Subsidiary	23	12	10
Other	--	4	2
Foreign	7	10	2
Subtotal	55	50	20
Total	392	309	170
Number of Companies			
Presenting supplemental income information	270	225	131
Not presenting such information	330	375	469
Total	600	600	600

BLISS & LAUGHLIN INDUSTRIES INCORPORATED
Notes to Financial Statements

Note 1: 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.

The relative contributions of the Company's principal business activities from continuing operations to net revenues and income before taxes for the years ended December 31, 1970 and 1969 are set forth below (in thousands of dollars):

	Net Revenues		Income Before Taxes	
	1970	1969	1970	1969
Steel Group	$ 54,205	$ 70,017	$ 1,115	$ 4,334
Metal Products Group	27,083	29,812	1,438	2,545
Construction Group	27,879	28,737	6,208	6,914
Total	$109,167	$128,566	$ 8,761	$13,793

The Company's costs and expenses are basically identified by groups. Executive office expenses of approximately $1,300,000 in 1970 and 1969 were allocated on the basis of efforts expended by its personnel. Interest expense of $1,373,000 in 1970 and $1,238,000 in 1969 was allocated on the basis of principal operating assets of each group.

COOPER INDUSTRIES, INC.
Financial Review (page 8)
Sales and Services

The company's sales and services amounted to $223 million during 1970, a record, and an increase of 7% over the previous year. The relative contribution to sales and earnings by the company's three major lines of business for the years 1970 and 1969 is shown on the following table:

	Percent of Total Sales		
	1970	1969 Restated	1969 as Reported
Heavy Machinery & Equipment	61%	60%	71%
Hardware & Industrial Tools	27%	29%	29%
Air Transportation Services	12%	11%	
	100%	100%	100%

	Percent of Earnings Before Taxes		
	1970	1969 Restated	1969 as Reported
Heavy Machinery & Equipment	49%	49%	59%
Hardware & Industrial Tools	42%	42%	41%
Air Transportation Services	9%	9%	
	100%	100%	100%

As recently as 1968, heavy machinery and equipment represented 80% of the company's sales and 82% of its earnings before tax.

ETHYL CORPORATION

Net Sales by Lines of Business (In Thousands of Dollars)—1968, and 1967 figures omitted for presentation purposes

	1970 Net Sales	Percent of Total	1969 Net Sales	Percent of Total
Chemicals:				
Domestic	$226,843	41%	$214,151	42%
Foreign	71,944	13	64,846	13
Plastics	102,748	18	95,461	19
Paper	92,283	17	97,783	19
Aluminum	63,038	11	37,061	7
Total	$556,856	100%	$509,302	100%

In determining its lines of business for reporting purposes, management has taken into account rates of profitability of operations, degrees of risk and opportunity for growth. For these reasons, and because of the diversity of operating characteristics, including markets and competitive conditions, the chemicals line of business is separately classified into domestic and foreign. The extent of foreign business in the plastics, paper and aluminum lines is relatively immaterial and does not justify separate treatment.

Profit Contribution—The following table shows, with respect to the Companys lines of business, the respective operating profits before taxes, extraordinary items and certain corporate overhead expenses that are not practical to identify with a particular line of business:

Operating Profit (Loss) by Lines of Business After Identifiable Corporate Expense (In Thousands of Dollars)—1968 and 1967 figures omitted for presentation purposes.

	1970		1969	
	Operating Profit	Percent of Operating Profit	Operating Profit	Percent of Operating Profit
Chemicals:				
Domestic	$66,936	68%	$63,007	69%
Foreign	15,345	16	11,664	13
Plastics	7,406	8	7,963	9
Paper	3,413	3	5,228	6
Aluminum	4,471	5	3,048	3
Total	$97,571	100%	$90,910	100%

The operating profits used for purposes of the above table include charges for general and administrative and research and development expenses at the Corporate level which are identifiable with each line of business but do not include the charges that are not practical to identity with lines of business. The latter include financing costs, net of interest earned, research and development expense in new product areas and other general and administrative net expenses as shown in the following table:

(In Thousands of Dollars)	1970	1969
Net Financing Costs	$10,208	$7,696
Corporate Overhead	17,132	17,170
Total	$27,340	$24,866

Within the chemicals line of business, petroleum and industrial chemicals often utilize joint facilities for man-

ufacture, research and development and in many instances are interrelated in terms of raw materials, intermediates and by-products. Consequently, while sales of chemical products can be determined accurately without allocations, it is not practicable in management's judgment to make further allocations within the chemicals line of business which would be meaningful in determining with any degree of accuracy the relative contribution to the Company's operating profits by classes of chemical products. Because lead antiknocks (the principal contributor to chemical sales and profits) are interrelated with certain other chemical products in terms of raw materials, intermediates and by-products, any substantial reduction or elimination of the use of lead antiknocks in gasoline would adversely affect the costs and profitability of certain of our other present chemicals as well.

FOREMOST-McKESSON, INC.
Financial Information (page 30)
Sales

Net sales for 1970 were $1,691,609,000, an increase of $92,971,000 over 1969. Amounts for each of the four operating companies were as follows:

	1970	1969	Percent Increase
McKesson & Robbins Drug	$ 747,255,000	$ 700,694,000	6.6
Foremost Foods	404,161,000	397,180,000	1.8
McKesson Liquor	389,475,000	361,744,000	7.7
McKesson Chemical	150,718,000	139,020,000	8.4
Total	$1,691,609,000	$1,598,638,000	5.8

Earnings

Net income for 1970 was $29,203,000 compared with $27,217,000 for the previous year. The primary earnings of $2.00 per average common share outstanding compares with $1.89 in 1969. The 1969 amount has been restated to reflect the pooling of "21" Brands and to conform with an opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants issued in May 1969. Assuming full conversion of Series A preferred stock and convertible debentures, the fully diluted earnings of $1.74 per share in 1970 compares with $1.68 in 1969. Dilution in 1970 increased as a result of the issuance of 6% convertible subordinated debentures in the acquisition of certain assets from Provident Securities Company.

Sources of earnings were as follows:

	1970	1969	Percent Increase
McKesson & Robbins Drug	$24,700,000	$24,521,000	0.7
Foremost Foods	22,817,000	20,655,000	10.5
McKesson Liquor	15,875,000	14,279,000	11.2
McKesson Chemical	5,449,000	5,554,000	(1.9)
Total	68,841,000	65,009,000	5.9
Less corporate amounts (Principally interest) – net	12,169,000	11,872,000	2.5
Income before income taxes	$56,672,000	$53,137,000	6.7

Management has concluded that comparative earnings of the operating companies without allocation of interest and other corporate amounts are more meaningful measures of contribution to income than after such allocations.

GAF CORPORATION
Financial Review (page 2)
Sales

Sales in 1970 were 1.2 per cent lower than in 1969. As indicated in the table below, the Company's product mix changed slightly in 1970 as a result of conditions within each of the operating divisions.

	1970		1969	
	Sales	% of Total	Sales	% of Total
Chemicals	$154,886,000	25.9	$163,313,000	26.9
Photo Products	136,465,000	22.8	144,031,000	23.8
Business Systems	85,189,000	14.2	76,041,000	12.5
Building Materials	176,086,000	29.4	175,728,000	29.0
Industrial Products	46,080,000	7.7	47,141,000	7.8
	$598,706,000	100.0	$606,254,000	100.0

Net Income

Income from operations in 1970 (before extraordinary items) reflected the major increases in labor and material costs prevalent in all areas of the Company's operations in 1970. Price increases for the most part failed to equal these rises in costs and there was a marked effect on the operating margins of our five product groups.

The table presented below indicates the direct operating margin of the Company's five product groups. The Company has not maintained records that would permit it to allocate corporate expenses to these groups on other than an arbitrary basis. Corporate costs, including interest of $11,641,000, in 1970 and $10,712,000 in 1969, amounted to $30,441,000 and $30,212,000 in the respective years.

	1970 Operating Margin	% of Total	1969 Operating Margin	% of Total
Chemicals	$18,407,000	40.2	$22,861,000	38.5
Photo Products	(3,005,000)	(6.6)	6,657,000	11.2
Business Systems	4,377,000	9.5	4,317,000	7.3
Building Materials	18,197,000	39.7	16,601,000	28.0
Industrial Products	7,862,000	17.2	8,876,000	15.0
	$45,838,000	100.0	$59,312,000	100.0

JIM WALTER CORPORATION

Sales and Results by Operating Group (page 14)

The following table summarizes for each operating group of the Company the consolidated net sales and other revenues and the operating income for 1970 and 1969.

	FOR THE YEAR ENDED AUGUST 31			
	1970		1969(a)	
	Net sales and other revenues	Contributions to operating Income before items set forth below	Net sales and other revenues	Contributions to operating income before items set forth below
Mineral and Fiber Products Group	$174,907,264	$7.200,698	$171.47.364	$9.830.734
Metal and Wood Products Group	69,597,393	5,960,995	58,296,839	4,598,298
Stone and Concrete Products Group	46,740,434	3,999,364	40,478,498	3,694,304
Pipe and Related Products Group	187,296,573	9,666,794	179,067,911	12,626,881
Homebuilding and Related Activities Group	86,964,372	13,283,368	71,830,598	13,049,041
Paper Distribution and Conversion Group	63,340,519	1,943,573	60,799,793	1,485,884
Sugar Operations	29,629,510	2,617,668	27,797,491	1,729,564
Oil and Gas Operations	5,420,931	2,086,363	6,038,393	3,032,908
Other	15,712,322	2,252,137	10,605,210	2,596,634
Savings and Loan Operations (b)	--	703,015	--	800,068
		49,713,975		53,444,316
Less—Unallocated corporate interest and other expense	--	(14.619.811)	--	(11.477.310)
Federal and state income taxes	--	(13,510,000)	--	(18,073,167)
	$679,609,318	$21,584.164	$626,392,097	$23,893,839

(a) Restated to reflect the acquisition of a company accounted for as a pooling of interests.
(b) Unconsolidated subsidiary.

A. O. SMITH CORPORATION

Sales and Earnings by Line of Business ($ Millions)
1969 Figures omitted for presentation purposes

	Sales		Earnings	
	$	%	$	%
Transportation — Automobile and truck frames, automotive components, railroad equipment and line pipe.	180.7	41	3.9	16
Electrical — Electric motors, electrical controls and drive systems.	82.4	19	6.5	26
PETROLEUM — Meter systems, valves, gasoline pumps, oil well casing and reinforced plastic pipe.	51.2	12	4.8	20
BUILDING — Water heaters, heating equipment and passenger and freight elevators.	77.8	18	5.3	22
AGRICULTURAL — Livestock feed storage, handling and feeding systems, vertical turbine pumps and irrigation equipment	47.0	10	3.9	16
	439.1	100	24.4	100
Miscellaneous & Corporate	(3.1)		(8.8)	
	436.0		15.6	
Equity in Affiliates included above	22.9		(2.3)	
Per Consolidated Statement	413.1		17.9	

Notes: The proportionate equity in sales and pre-tax earnings of affiliated companies has been included. Businesses acquired during 1969 and 1970 are included from dates of acquisition. Information relative to the bomb casing business, formerly operated by an affiliated company, has been excluded.

Earnings of $24.4 and $35.9 million are before income taxes, extraordinary items and unallocated corporate expense. Consolidated pre-tax earnings of $17.9 and $30.1 million exclude extraordinary items.

STUDEBAKER-WORTHINGTON, INC
Sales and Income Breakdown
(dollar amounts stated in thousands)

	Minority Interest	1970 Sales	Income before federal income taxes	1969 Sales	Income before federal income taxes
Subsidiaries Partially Owned by Public					
STP*	47%	$85.936	$22.430	$54.150	$18.006
Wagner (1971)	15%	218.478	20.494	208.673	20.220
Turbodyne	15%	115.345	14.273	84.061	11.986
Clarke-Gravely (1971)	20%	41.504	5.573	37.807	5.291
MLW Worthington, Ltd	48%	46.684	1.891	38.292	1.623
Divisions and Other Subsidiaries					
Onan generators and engines		55,898	7.544	62.971	7.460
Pumps		77,323	6,844	68,815	6,833
Compressors		88,080	4.387	84,446	6.037
Controls and meters		43,956	4,263	39,731	921
Pan America and Far East — Worthington products		24,095	1.486	27,563	3,054
Other		25,512	1.496	18,885	902
Sold or discontinued operations		49.147	(2.209)	63.429	(62)
Intercompany eliminations and adjustments		(13,861)	—	(12,860)	—
		$858.097	$88.472	$775.963	$82.271
Interest expense (excluding subsidiaries partially owned by public)			(10,192)		(11.951)
Interest income, non-recurring gains, etc.			3.062		3,388
Parent company corporate expenses			(3.836)		(3.625)
			$77,506		$70,083

*STP includes Pyroil for 1970 and excludes Pyroil sales of $11,185 and income before federal income taxes of $1,162 for 1969

WHITTAKER CORPORATION
Contributions to 1970 Sales and Profits by Operating Group

	SALES		PRE-TAX NET INCOME	
	$(000)	%	$000)	%
Functional Grouping Recreation	$74.261	8 6%	$1.643	14 9%
Transportation Products	115.399	13 4	2.900	26 2
Chemical and Textile	127.568	14 8	2.032	18 4
Housing and Urban Development	53 013	6 1	(1.835)	(16 6)
Metal Forming and Conversion	170.447	19 7	1 705	15 4
Metal Finishing and Distribution	193,271	22.4	3,523	31.9
Scientific and Other	129,422	15.0	1,086	9.8
Sub-Total	863,381[1]	100.0%	$11,054	100.0%
Discontinued Businesses	(70,661)			
Total	$792,720			

1)Sales to the government amounted to 15% or $130,000,000, ⅔ of which were attributable to the Scientific Group.

CONSOLIDATION OF SUBSIDIARIES

Accounting Research Bulletin No. 51—Consolidated Financial Statements states in part:

1. . .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.

5. . .Consolidated statements should disclose the consolidation policy which is followed. In many 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 made about consolidation policy. In many instances, the consolidation policy is not stated but can be determined by observing the nature of nonconsolidated subsidiaries or the fact that there is no investment in nonconsolidated subsidiaries.

Tables 1-14 and 1-16 summarize respectively the consolidation policies regarding domestic and Canadian subsidiaries and foreign subsidiaries. Table 1-15 complements Table 1-14 by showing the types of nonconsolidated and consolidated finance-related subsidiaries. For the purpose of the aforementioned tabulations a subsidiary is a company described in an annual report as a *subsidiary* or as more than 50 percent owned by another company.

Notes to financial statements discussing consolidation policies follow. Included with the examples of con-

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

Exclusions From Consolidation	1970	1969	1968	1967
Based on nature of business:				
Finance Related*...	104	97	57	47
Real estate	19	13	41	29
Other	14	21	--	--
Subsidiaries less than 100% owned ..	47	41	57	72
Canadian subsidiaries	4	8	5	4
Insignificant or inactive subsidiaries	58	67	50	N/C
Other, or basis not stated	30	19	25	46
Total	276	266	235	298
Number of Companies				
All domestic and Canadian subsidiaries consolidated	376	376	380	397
Some domestic and Canadian subsidiaries not consolidated	207	201	189	177
No indication of domestic or Canadian Subsidiaries, or no consolidated statements	17	23	31	26
Total	600	600	600	600

N/C – Not compiled
*See Table 1-15

solidation 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

APCO OIL CORPORATION

Notes to Consolidated Financial Statements

Principles of Consolidation – All subsidiary companies have been included in the consolidated financial statements except an 81% owned subsidiary (Transammonia, Inc.) which is included at the Company's equity. The underlying net assets of Transammonia, Inc. at December 31, 1970, consist of current assets of $8,479,121 and other assets of $193,894, less current liabilities of $9,919,776, and other liabilities of $306,001, resulting in a capital deficiency of 1,552,762. Transammonia, Inc. had a net loss of $149,195 in 1970 from gross sales of $37,193,141.

On February 28, 1970, the Company sold its interest in an 80% owned subsidiary (Apco Farm Chemicals, Inc.) at a loss of approximately $20,800. The Company's equity in the net earnings of Apco Farm Chemicals, Inc. for the two months ended February 28, 1970 was $48,541.

Certain, 1969 figures have been reclassified in the statements of consolidated earnings and consolidated source and application of funds to make them comparable with the 1970 classifications.

CUMMINS ENGINE COMPANY, INC.

Notes to Consolidated Financial Statements

Note 1 (in part): *Consolidation* – The consolidated financial statements include the accounts of all wholly owned subsidiaries. Investments in partially owned international companies are recorded at cost, adjusted to reflect Cummins' share of undistributed earnings and losses.

Net assets of international subsidiaries and branches and investments in partially owned companies (including advances) outside the United States aggregated approximately 26% of consolidated net assets at December 31, 1970, and 30% at year end 1969.

Sales to customers located outside the United States amounted to $119 million in 1970 and $100 million in 1969, of which approximately 40% were products manufactured or assembled by international subsidiaries and branches.

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

Type of Subsidiary	Consolidated	Not consolidated	Total
Finance companies	35	63	98
Insurance companies	1	17	18
Banks		13	13
Leasing companies	3	11	14
Totals	39	104	143

Number of Companies	
Consolidating all finance-related subsidiaries	33
Excluding from consolidation all finance-related subsidiaries	79
Consolidating some, but not all, finance-related subsidiaries	4
No domestic or Canadian finance-related subsidiaries	484
Total	600

Exclusion Based on Nature of Business

CLARK EQUIPMENT COMPANY
Financial Review (page 10)

Principles of Consolidation— Our financial statements for 1970 include the accounts of all majority-owned operating subsidiaries throughout the world including for the first time the accounts of our Brazilian and Argentine subsidiaries.

Substantially complete ownership in our subsidiaries in Brazil and Argentina was acquired many years ago. However, because of previous currency instability and exchange restrictions we have not in the past deemed it appropriate to consolidate the accounts of these companies. 1970 is the fifth consecutive year in which Brazil has maintained a reasonably stable position relative to currency devaluations and the level of allowable remittances. Argentina has compiled an even better record in establishing the peso as a convertible currency.

The combined financial statements of Clark Equipment Credit Corporation and finance subsidiaries and affiliates are presented separately.

MARCOR INC.
Notes to Financial Statements

Note 2 (in part): *Principles of Consolidation*—The consolidated financial statements include the accounts of all merchandising, manufacturing and real estate subsidiaries. The Company's investments in subsidiaries not consolidated (principally Montgomery Ward Credit Corporation, Pioneer Trust & Savings Bank and Montgomery Ward Life Insurance Company) are accounted for on the equity method and accordingly the earnings of these subsidiaries are included in net earnings and earnings reinvested. At January 31, 1971 the original cost of these investments plus equity in undistributed net earnings since formation or acquisition was $206,539,000 and is included in Investments and Other Assets. Earnings before taxes on income of Montgomery Ward Credit Corporation have been reflected in the Statement of Earnings as a reduction of interest expense, and Earnings before taxes on income of the other subsidiaries which are accounted for on the equity method have been included in Operating, selling, administrative and research expenses. The Provision for Taxes on Income in the Statement of Earnings includes the income tax provision of all subsidiaries accounted for on the equity method. The consolidated financial statements issued in prior years included the accounts of Montgomery Ward Credit Corporation on a fully consolidated basis. For comparative purposes, the prior year's consolidated financial statements have been restated to reflect the equity method of accounting for the investment in Montgomery Ward Credit Corporation, and such restatement does not change the previously reported net earnings or earnings reinvested.

SUN OIL COMPANY
Notes to Financial Statements

Principles of Consolidation (in part): The consolidated financial statements include the accounts of all subsidiaries owned more than 50 per cent, except three subsidiaries engaged in leasing activities, and a subsidiary organized during 1970 to finance certain receivables. These subsidiaries are not included in the consolidated financial statements because of the nature of their businesses. The finance subsidiary commenced business with the exchange of $26,682,000 of long term notes receivable for all its issued common stock. In the aggregate, the financing and leasing activities of these subsidiaries have not been significant.

The parent company's equity in the net assets of the consolidated subsidiaries exceeded the cost of those investments by $133,427,000 at December 31, 1970, which amount is included in consolidated earnings employed in the business. Approximately $457,961,000 of consolidated net assets at December 31, 1970 pertain to operations outside the United States, principally in Canada ($289,618,000), Venezuela ($36,057,000), Liberia ($16,585,000) and in Puerto Rico ($93,228,000).

The financial statements include Sun's equity in the undistributed earnings of the affiliated companies in which it owns a proprietary half interest. The increase in such equity amounted to $220,000 in 1970 and $739,000 in 1969.

WEYERHAEUSER COMPANY
Notes to Financial Statements

Note 1 (in part): *Principles of consolidation and general comments*—The consolidated financial statements include all domestic and foreign subsidiaries except Weyerhaeuser Real Estate Company which is carried at equity and which is engaged in real estate development and operations, financing and construction activities. All significant intercompany transactions and accounts are eliminated.

For 1969 the Company's real estate, finance and construction actitivites were reported on a fully consolidated basis; consequently, the 1969 consolidated financial statements have been restated for comparative purposes. Weyerhaeuser Real Estate Company's financial position at December 27, 1970, and December 28, 1969, and operating results for 1970 and 1969 follow:

Weyerhaeuser Real Estate Company

Condensed Balance Sheet (Amounts in thousands)

	1970	1969
Cash, receivables and other assets	$ 50,600	$32,559
Land developments and other operating properties	47,136	27,233
Rental properties, including construction in progress	24,945	--
Land held for future development	37,363	13,333
Investment in and advances to finance subsidiaries not consolidated	10,568	3,779
	$170,612	$76,904
Liabilities including Weyerhaeuser Company advances $71 and $3,084	75,093	49,502
Shareholder's interest	95,519	27,402
	$170,612	$76,904

Condensed Statement of Operations (Amounts in Thousands)

	1970	1969
Revenues and other income – net	$61,044	$35,905
Earnings of finance subsidiaries not consolidated	4,546	1,512
	65,590	37,417
Operating costs and expenses	54,717	27,284
	10,873	10,133
Provision for income taxes	5,963	5,646
Net earnings	$ 4,910	$ 4,487

Weyerhaeuser Real Estate Company's investment in its finance subsidiaries is carried at equity. Included in such subsidiaries' liabilities are notes payable to banks of $105,990,000 at December 27, 1970, and $50,958,000 at December 28, 1969, collateralized by trust deed notes receivable, construction loans receivable and certain other assets. Total assets of the finance subsidiaries aggregated, at the same dates, $118,126,000 and $57,186,000.

Exclusions Based on Geography

ASSOCIATED PRODUCTS, INC.

Notes to Financial Statements

Note 1: Principles of Consolidation – 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, 1970 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 $131,066 on the undistributed earnings of foreign subsidiaries at May 31, 1970 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, 1970 by $624,096.

BAUSCH & LOMB INCORPORATED

Notes to Financial Statements

Note 1: Consolidation – The consolidated financial statements include the accounts of all wholly owned domestic and foreign subsidiaries except those in South America. The accounts and earnings of the consolidated foreign subsidiaries have been translated to U.S. dollars at appropriate rates of exchange and intercompany balances, sales and profits have been eliminated, as appropriate. Financial data of the consolidated foreign subsidiaries are shown below:

	1970	1969
Net current assets	$12,787,000	$ 8,457,000
Properties, less depreciation	2,924,000	2,511,000
	15,711,000	10,968,000
Liabilities due after one year	907,000	
Net assets	14,804,000	10,968,000
Parent company's investments and intercompany receivables	9,954,000	7,490,000
Excess of equity over investments and intercompany receivables	$ 4,850,000	$ 3,478,000
Net earnings for the year	$ 1,492,000	$ 799,000

The investment in the South American companies is carried on the equity basis with their current net earnings reflected in the accompanying Statement of Earnings and Earnings Retained. In years prior to 1970 the investment was carried at cost reduced by a 1967 charge reflecting the cumulative operating and foreign translation losses to that time. The effect of this accounting change has been to increase net earnings by $93,000. Prior year's earnings have not been restated due to immateriality. The parent company has guaranteed loans of $3,150,000 owed by these subsidiaries.

CHEMETRON CORPORATION

Notes to Consolidated Financial Statements

Note 1: Basis of Consolidation – The accompanying consolidated financial statements include all domestic subsidiaries. All significant intercompany sales, profits and other items have been eliminated.

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 after elimination of unrealized intercompany profits. The geographical distribution of such current earnings is shown in note 8. No provision has been made for additional taxes that may result from the distribution of these earnings as dividends since any amounts distributed are dependent upon the working capital requirements of the various companies and, in the case of foreign companies, upon foreign exchange restrictions.

Note 8: Investments in and Advances to Unconsolidated Subsidiaries and Affiliated Companies – Investments in unconsolidated subsidiaries and 50%-owned affiliates are carried at cost plus the Company's share of undistributed earnings since dates of acquisition, as described in note 1. The carrying value of investments in,

and advances to, such companies and their current earnings were as follows:

	Total	Cost	Equity in undistributed earnings	Advances
Investments:				
Foreign Subsidiaries and Affiliated Companies:				
Canada	$-3.646.149	$ 338.420	$ 776.321	$2.531.408
Latin America	13.187.191	839.243	11.623.374	724.574
United Kingdom, Germany, etc	6.008.960	2.501.989	2.828.654	678.317
Total foreign	22.842.300	3.679.652	15.228.349	3.934.299
Domestic Affiliated Companies—50%-owned	1.450.922	545.000	894.908	11.014
Total 1970	$24.293.222	$4.224.652	$16.123.257	$3.945.313
Total 1969	$22.082.617	$4.453.525	$14.366.220	$3.262.872

	Chemetron's equity in Net earnings of unconsolidated companies	Dividends paid (a)	Undistributed current earnings
Earnings:			
Foreign Subsidiaries and Affiliated Companies:			
Canada	$ (108.051)	$	$ (108.051)
Latin America	1.177.138	218.911	958.227
United Kingdom, Germany, etc	798,293	171.250	627.043
Total foreign	1.867.380	390.161	1.477.219
Domestic Affiliated Companies 50%-owned	147.508	3.750	143.758
Total 1970	$2.014.888	$ 393.911	$1.620.977
Total 1969	$1.957.761	$ 519.087	$1.438.674

(a) Included in accompanying statement of consolidated earnings as part of "Other Operating and Sundry Income."

ST. REGIS PAPER COMPANY
Notes to Financial Statements

Principles of Consolidation (in part)—The consolidated financial statements include the accounts of St. Regis Paper Company and all subsidiaries operating in the United States and Canada. Subsidiairies operating solely in countries other than the United States and Canada are shown as investments.

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. Equity in the net earnings of such companies is included in the consolidated net earnings of St. Regis. All other investments and advances are carried at cost.

Investments in and advances to subsidiaries not consolidated, 50 percent owned companies, and other associated companies (less than 50 percent owned) aggregated $84,116,000 at December 31, 1970, of which $64,104,000 related to companies whose investments are stated at cost plus equity in undistributed earnings since dates of acquisition ($49,201,000 of cost plus $14,903,000 of equity), and $20,012,000 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 since dates of acquisition exceeded the dividends received from such companies by $3,674,000 in 1970 and $4,062,000 in 1969. The equity in net earnings of companies whose investments are carried at cost exceeded the dividends received from such companies by $1,675,000 in 1970 and $544,000 in 1969.

STERLING DRUG INC.
Notes to Financial Statements

Basis of Consolidation—The consolidated financial statements include the accounts of all subsidiary units except those located in South America. Current Assets and liabilities of foreign subsidiaries were translated into U.S. dollars at quoted or remittance rates at the close of their fiscal years ending in October. Property accounts were translated at rates prevailing at acquisition. The net income of consolidated foreign subsidiaries was $21,316,000 ($17,860,000 in 1969). At the close of their 1970 fiscal years, the net assets of these subsidiaries were $92,454,000, including $59,194,000 of net current assets. Approximately 87 per cent of the net assets were located in Europe, North and Central America and Australia.

Consolidation of All Subsidiaries

ADDRESSOGRAPH MULTIGRAPH CORPORATION
Notes to Consolidated Financial Statements

Note 1: Consolidation Policy and Foreign Subsidiary Data—The Consolidated financial statements include the accounts of all domestic and foreign subsidiaries. The accounts of the foreign subsidiaries have been translated at approximate rates of exchange prevailing at the end of their fiscal years (June 30), or at historical rates where applicable. The following table summarizes the net assets of the foreign subsidiaries at June 30, 1970 and 1969 with operating data for the years then ended.

	1970	1969
Current assets	$ 76,986,000	$64,919,000
Current Liabilities	34,133,000	28,074,000
Working capital	42,853,000	36,845,000
Other sundry assets	2,379,000	2,929,000
Plant and equipment, less depreciation	19,061,000	19,107,000
Total	64,293,000	58,881,000
Long-term debt	21,412,000	24,098,000
Deferred income taxes	206,000	125,000
Net assets employed by foreign subsidiaries	$ 42,675,000	$34,658,000
Net sales and operating revenues	$113,376,000	$96,456,000
Net income	$ 7,217,000	$ 4,510,000

The foregoing sales and income exclude amounts arising from sales by U.S. Companies to foreign dealers and customers.

THE BLACK AND DECKER MANUFACTURING COMPANY

Notes to Consolidated Financial Statements

Note A: Accounts of all subsidiaries, which are wholly-owned, are included in consolidation and significant intercompany accounts, transactions, and profits have been eliminated. Consolidated retained earnings include $38,443,000, representing the Company's equity in the net assets of the consolidated subsidiaries in excess of investments of $4,508,000. Consolidated earnings include $9,968,000, representing the net earnings of the consolidated subsidiaries. Accounts of the foreign subsidiaries are translated into U.S. dollar equivalent at appropriate exchange rates.

Financial data of the consolidated foreign subsidiaries are summarized below:

	September 27, 1970	September 28, 1969
	(thousands of dollars)	
Current assets	$ 58,110	$49,618
Less current liabilities	37,952	27,618
Net working capital	20,158	22,000
Other assets (primarily property)	24,247	17,922
	44,405	39,922
Accounts payable to parent and domestic subsidiaries	2,623	2,024
Long-term debt	98	120
	2,721	2,144
Equity	41,684	37,778
Investments	4,283	4,283
Equity in excess of investments	$ 37,401	$33,495
Net sales	$106,656	$90,706
Net earnings	9,726	8,153
Dividends remitted	5,859	2,378

Certain of the foreign countries have exchange controls and restrictions in effect, and withdrawals of related investments and undistributed earnings of $27,000,000 could be subject in part to such restrictions.

CURTISS-WRIGHT CORPORATION

Notes to Financial Statements

Note 1: Principles of Consolidation—The financial statements present on a consolidated basis the accounts of the Corporation and all majority owned subsidiaries. The accounts of overseas subsidiaries are for the fiscal years ended September 30.

GENERAL FOODS CORPORATION

Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of General Foods Corporation and its subsidiaries. The assets and liabilities of the foreign subsidiaries are included at rates of exchange at year-end, except that land, buildings, equipment and related depreciation are included at rates of exchange at dates of acquisition. Income and expense accounts, except depreciation, are translated at exchange rates prevailing during fiscal 1970. Assets and liabilities of subsidiaries outside the U.S. and Canada included in the current fiscal year consolidated statements are:

	Europe	Latin America	Far East & Other	Total
		(in thousands)		
Working capital	$26,294	$ 7,742	$ 7,025	$ 41,061
Land, buildings, equipment	55,535	10,397	18,208	84,139
Other assets*	18,204	6,247	10,550	35,001
	100,032	24,386	35,783	160,201
Less non-current liabilities	16,195	4,121	3,465	23,781
Excess of assets over liabilities	$83,837	$20,265	$32,318	$136,420

*Includes goodwill of $32,124,000 which is included in the goodwill of $93,250,000 shown in the Consolidated Balance Sheet.

Net sales of $276,513,000 and earnings before extraordinary items of $6,722,000, are attributable to operations in these areas during fiscal 1970.

JOHNSON & JOHNSON

Note to Consolidated Financial Statements

Note 1: The consolidated financial statements include the accounts of Johnson & Johnson and subsidiaries.

In 1970, the Company adopted the policy of consolidating all majority owned subsidiaries. In prior years all foreign subsidiaries were excluded from the consolidation and income was recognized only as received in the United States. The 1969 financial statements have been restated to include the accounts of the foreign

subsidiaries and, accordingly, previously reported sales to customers, net earnings and earnings per share have been increased by $254,156,000, $10,726,000 and $.20 (after giving effect to the 1970 stock split described in Note 4), respectively. Retained earnings at December 29, 1968 have also been increased by $56,926,000 to reflect this change.

After translation of foreign currencies into United States dollar equivalents and elimination of intercompany profits and loans and accounts, the following amounts are included in the consolidated financial statements for subsidiaries located outside of the United States.

	January 3, 1971	December 28, 1969
Current assets	$123,101,000	108,885,000
Current liabilities	63,909,000	50,466,000
Net property, plant and equipment	71,221,000	63,747,000
Parent company equity in net assets	108,810,000	93,371,000
Excess of equity of parent company over investment	83,286,000	66,746,000
Sales to customers	296,608,000	254,156,000
Net Earnings (after elimination of minority interest)	30,015,000	22,967,000

Assets and liabilities are translated at the approximate year-end rates of exchange except for property, plant and equipment accounts which are translated at the approximate rates of exchange at dates of acquisition. Operating accounts, except for depreciation, are translated at approximate average rates for the respective years. Losses and gains resulting from translating asset and liability accounts have been reflected in net earnings.

RICHARDSON-MERRELL INC.
Notes to Financial Statements

Note 1 (in part— Total columns for 1970 and 1969 omitted from table shown below): Basis of Consolidation— The accounts of all subsidiary companies are included in the consolidated statements. Foreign assets (except fixed and intangible assets) and liabilities are stated in U.S. dollars at approximate rates of exchange prevailing at balance sheet dates. Foreign operating results for the year have been translated generally at the free rates of exchange prevailing at each month end. Included in the Statement of Consolidated Earnings are sales of $150 million (1969— $129 million) in markets outside of the United States.

In the following table, foreign assets (in thousand of dollars) are grouped in accord with the classifications established by the U.S. Government in the Foreign Direct Investment Control program. "A" represents the less developed countries, including Latin America, India and the Philippines; "B" represents countries where a high inflow of capial is essential and includes the United Kingdom, Australia and Japan; "C" represents the more fully developed countries and includes Western Europe and South Africa.

	Canada	Group A Countries	Group B Countries	Group C Countries
Current assets	$5,210	$24,006	$17,122	$49,057
Current liabilities	(858)	(6,928)	(10,330)	(15,566)
Net current assets	4,352	17,078	6,792	33,491
Fixed and other assets	1,522	12,090	5,864	17,118
Non-current liabilities	--	(1,257)	(7,926)	(17,603)
Net assets	$5,874	$27,911	$ 4,730	$33,006

TABLE 1-16: CONSOLIDATION POLICIES—FOREIGN SUBSIDIARIES

Exclusions From Consolidation	1970	1969	1968	1967
Based on geography:				
All foreign subsidiaries excluded	33	47	36	51
Foreign subsidiaries in certain countries only	17	23	21	27
Subsidiaries less than 100% owned	43	35	43	52
Based on nature of business	8	16	10	7
Insignificant or inactive subsidiaries	49	65	55	N/C
Other bases	9	7	6	10
Basis for exclusion not stated	27	18	35	40
Total	186	211	206	187

Number of Companies	1970	1969	1968	1967
All foreign subsidiaries consolidated	185	177	168	183
Some foreign subsidiaries not consolidated	144	143	158	131
Consolidation policy not determinable	14	20	17	N/C
No foreign subsidiaries consolidated	33	47	36	51
No indication of foreign subsidiaries	224	213	221	235
Total	600	600	600	600

Accounts of Consolidated Real Estate Subsidiary Segregated in Financial Statements

GREAT WESTERN UNITED CORPORATION
Consolidated Balance Sheets (in part) (000)

Assets:	1970	1969
Realty assets (Note 1):		
Contracts receivable (estimated due within one year: 1970– $10,750,000; 1969– $8,480,000) (Notes 2 and 4)	$93.047	$68.037
Less allowance for losses on repossessions	(9,456)	(7,716)
Inventory of improved and unimproved real estate, at lower of cost or market (Note 4)	34,677	16,028
Other	7,312	3,645
Total realty assets	$125,580	$79,994

Liabilities and Stockholders' Equity:		
Realty liabilities (Note 1):		
Notes and loans payable (Note 4)	$42,844	$22,346
Deferred income taxes (Note 2)	†35,665	24,373
Estimated real estate improvement costs	2,719	2,436
Other	5,464	4,728
Total realty liabilities	$86,692	$53,883

Consolidated Statements of Income (in part) (000)

Net sales and operating revenue:		
Real estate operation (Note 2)	$ 55,961	$ 42,752
Other operations	193,304	172,676
Total	249,265	215,428
Costs and expenses:		
Real estate operations:		
Cost of sales	6,656	3,726
Selling, administrative and interest expenses	26,274	15,940
Provision for losses on repossessions	5,413	5,511
Other operations:		
Cost of sales and operating expenses	152,910	124,050
Selling, administrative and interest expenses	32,916	36,064
Total	224,169	185,291
Income before income taxes	$25,096	$30,137

Note 1: (in part): *Principles of Consolidation*—The consolidated financial statements include the accounts of Great Western United and its subsidiaries, all of which are wholly-owned. Great Western Cities, which was shown as a one-line equity consolidation in the balance sheets in the 1969 annual report to shareholders, has been fully consolidated in the accompanying balance sheets with its assets and liabilities shown under realty captions.

The accompanying consolidated statement of income for the year ended May 31, 1969 has been restated to show the revenues and expenses of the real estate operations separately and to exclude retroactively from continuing operations the revenues and expenses of operations discontinued in fiscal 1970.

Note 2: Realty Contracts Receivable— Contracts receivable are collectible in monthly installments over periods of 7½ to 9 years. When cash equivalent to at least 5 per cent of the sales price and one monthly installment have been received, a contract sale is recognized and the cost of related improvements is included in cost of sales. Cancellation of a contract in the year of sale is recorded as the elimination of the sale, and cancellation of a contract after the year of sale is recorded as a reduction of the allowance for losses. Interest earned on contracts receivable is recorded monthly.

Payment of substantially all income taxes on income of Great Western Cities has been deferred to future years since, in most cases, income from lot sales is reported for tax purposes on the installment-basis as collections on contracts are received.

Note 4 (in part): Realty Notes and Loans Payable— Realty notes in thousands of dollars, were as follows:

	Amount	Interest Rate
Notes and debentures without collateral	$ 7,108	5-10%
Notes with collateral:		
Real estate trust note	15,059	13½%
Land notes	9,568	5¾-7%
City of California City improvement notes	6,430	6%
Trust deed on houses	3,346	6-12%
Other notes	1,333	6-9½%
Total	$42,844	

Consolidation of Subsidiary in which Control Obtained During Current Year

CERTAIN-TEED PRODUCTS CORPORATION
Notes to Financial Statements

Note 1: Effective as of January 1, 1970, the stockholders of Certain-teed Saint Gobain Insulation Corporation ("CSG"), a then 50%-owned company, agreed to exchange its outstanding stock of all classes for common stock of a new class. This resulted in the Company owning approximately 65% of CSG's outstanding common stock. Commencing as of January 1, 1970, the results of operations of CSG were included in the consolidated statement of income and retained earnings of the Company, after adjustment for the minority interest in CSG. Based on its 50% common stock ownership in prior years, the Company has recorded 50% of the net losses of CSG for 1969 and prior, less the reversal of certain reserves applicable to such losses.

As at December 31, 1970, the Company further increased its common stock ownership in CSG to 82% through the transfer to CSG of certain assets and liabilities of the Company's Gustin-Bacon Division. The minority stockholder of CSG has an option to acquire for cash additional shares of CSG common stock after December 31, 1971 but prior to December 31, 1973. If such right is not exercised, the Company has the right to acquire the minority stockholder's common stock in CSG.

Prior to CSG becoming a majority owned subsidiary and consolidation of its accounts with those of the Company, it was CSG's policy to defer preoperating costs associated with the construction of new facilities

and to amortize these costs over a five-year period. In order to conform with the Company's policy of writing off preoperating costs as incurred, CSG's preoperating costs deferred in prior years have been written off as an extraordinary charge to income. Had the prior years' preoperating costs not been written off as an extraordinary charge to income, income before extraordinary items would have been reduced by approximately $508,000.

In the previously issued financial statements for 1969 and prior years, the Company carried its 50% investment in CSG at cost, less certain reserves mentioned above, under the caption "Investments in and Receivables from Associated Company and Unconsolidated Subsidiaries." As a result of the acquisition in 1970 of a majority interest in CSG and the consolidation of CSG for the first time, the accompanying consolidated financial statements for 1970 are not comparable with those for 1969. For comparative purposes with the 1970 financial statements, certain combined pro forma financial data for 1969 of Certain-teed Products Corporation and consolidated subsidiaries and CSG follow (after giving effect to the exchange of stock in 1970 referred to above):

1969 Pro Forma Balance Sheet Data

Current Assets	$ 80,814,987
Current Liabilities	34,294,112
Working Capital	46,520,875
Investments in and Receivables from Unconsolidated Subsidiaries	4,056,390
Property, Plant and Equipment, net	79,905,616
Other Assets and Deferred Charges	8,049,307
Intangible assets	9,326,186
	147,858,374
Long-term debt	26,142,711
Other Noncurrent and Deferred Items	5,723,859
Minority Interest in CSG	6,043,839
	37,910,409
Stockholders' Equity	$109,947,965

1969 Pro Forma Operating Data

Net Sales	$245,965,970
Costs and Expenses	232,042,320
Other Deductions—net	(257,089)
Federal Income Taxes	7,475,000
	239,260,231
Net income	$ 6,705,739

CSG has available net operating loss carryovers of approximately $11,450,000 at December 31, 1970. These carryovers may be used to reduce taxable income of such company for subsequent years, $2,350,000 expiring December 31, 1972, $4,550,000 expiring December 31, 1973, $3,400,000 expiring December 31, 1974 and $1,150,000 expiring December 31, 1975. Investment tax credit carryovers aggregating approximately $795,000 at December 31, 1970 can also be applied against future Federal income tax liabilities. The unused investment tax credit carryovers can be utilized, $25,000 through 1974, $420,000 through 1975 and $350,000 through 1976, and under certain conditions these investment tax credit carryovers may be extended for three years.

The utilization of the aforementioned net operating loss and investment tax credit carryovers is dependent upon the subsidiary earning sufficient future taxable income.

Note 2 (in part): The investment ($2,328,966) in Modular Sciences, Inc. (Modular), a 56% owned company, is carried at cost, adjusted for the Company's share of Modular's operating results since the date of acquisition of majority ownership. The accounts of Modular have not been consolidated since management believes that the majority ownership may be temporary, based upon the conversion rights of Modular's convertible preferred stockholders. The revenues and net income of Modular for the year ended December 31, 1970, amounted to approximately $14,700,000 and $251,000, respectively. The investment in Modular common stock was approximately $657,000 less than the Company's equity in the net assets of Modular. The Company also had accounts receivable due from Modular aggregating $1,084,127. The 1970 financial statements of Modular will be included in the Company's Annual Report on Form 10-K to be filed with the Securities and Exchange Commission.

Fifty Percent Interest in Jointly Owned Facilities Consolidated

ALBERTSONS, INC.

Notes to Consolidated Financial Statements

Note A: Principles of Consolidation—The consolidated financial statement include the accounts of the Company and its wholly-owned subsidiaries. During the year the Company formed, through a wholly-owned subsidiary, a 50% owned joint venture with Skaggs Drug Centers, Inc. for the purpose of operating grocery-drug supermarkets in Texas. A jointly-owned corporation holds title to the realty during the process of construction prior to sale and leaseback. A proportionate share of the assets and liabilities of the joint venture and of the 50% owned realty subsidiary have been included in the consolidated balance sheet. The operations of these organizations had no significant effect on earnings of Albertson's, Inc.

Combined Statements

AMP INCORPORATED AND PAMCOR, INC.

Combined Balance Sheets (in part)

Shareholders' Equity:	1970	1969
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	109,053,000	91,674,000
	121,553,000	104,174,000
Less—Treasury stock, at cost	144,000	143,000
Total shareholders equity	121,409,000	104,031,000
	$184,278,000	$167,216,000

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 statement of AMP, its subsidiaries and Pamcor.

TABLE 1-17: BUSINESS COMBINATIONS

Number of Companies	1970	1969
All acquisitions accounted for as purchases	88	111
All acquisitions accounted for as poolings of interests	70	101
Purchases and poolings of interests	68	84
Accounting treatment not determinable	28	30
Total	234	326

BUSINESS COMBINATIONS

Paragraph 8 of *Opinion No. 16—Business Combinations,* issued in August 1970 by the Accounting Principles Board, 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.

Opinion No. 16, which effective for business combinations initiated after October 31, 1970 is the authoritative pronouncement on business combinations, reaffirms the concept of a pooling of interests as a continuation of equity interests and the concept of a purchase as the acquisition of one company by another company. *Opinion No. 16* differs from *Bulletin No. 48* as amended by paragraph 5 of *Opinion No. 10* in that it more narrowly defines the circumstances under which each accounting method can be applied, requires more complete financial statement disclosure of a business combination, no longer permits the practice known as part purchase and part pooling, specifies that a pooling of interests consummated subsequent to the balance sheet date be disclosed but not reflected in current period financial statements, and requires that goodwill recorded in a business combination be amortized over a period not exceeding 40 years.

POOLINGS OF INTERESTS

Paragraphs 63-65 of *Opinion No. 16* state:

63. A combined corporation should disclose in its financial statements that a combination which is accounted for by the pooling of interests method has occurred during the period. The basis of current presentation and restatements of prior periods may be disclosed in the financial statements by captions or by references to notes.

64. Notes to financial statements of a combined corporation should disclose the following for the period in which a business combination occurs and is accounted for by the pooling of interests method.

a. Name and brief description of the companies combined, except a corporation whose name is carried forward to the combined corporation.

b. Method of accounting for the combination—that is, by the pooling of interests method.

c. Description and number of shares of stock issued in the business combination.

d. 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 (paragraph 56). The details should include revenue, extraordinary items, net income, other changes in stockholders' equity, and amount of and manner of accounting for intercompany transactions.

e. Descriptions of the nature of adjustments of net assets of the combining companies to adopt the same accounting practices and of the effects of the changes on net income reported previously by the separate companies and now presented in comparative financial statements (paragraph 52).

f. 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.

g. Reconciliations of amounts of revenue and earnings previously reported by the corporation that issues the stock to effect the combination

TABLE 1-18: POOLINGS OF INTERESTS

Number of Companies	1970	1969	1968	1967
All prior years restated in historical summary to include pooled companies..	56	70	84	58
All amounts shown for past five years restated to include pooled companies; other years in historical summary not restated	13	17	26	7
One or two years restated to include pooled companies; other years in historical summary not restated	13	26	29	29
Prior year restated in comparative financial statements only	15	25	16	25
No restatement of prior year statements	42	47	29	25
Total	139	185	184	144

with the combined amounts currently presented in financial statements 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.

The information disclosed in notes to financial statements should also be furnished on a pro forma basis in information on a proposed business combination which is given to stockholders of combining companies.

65. Notes to the financial statements should disclose details of the effects of a business combination consummated before the financial statements are issued but which is either incomplete as of the date of the financial statements or initiated after that date (paragraph 61). The details should include revenue, net income, earnings per share, and the effects of anticipated changes in accounting methods as if the combination had been consummated at the date of the financial statements (paragraph 52).

Table 1-18 shows the number of companies reporting a pooling of interests. Those companies not restating their prior year's financial statements commented usually that the reason for not doing so was immateriality. Several poolings of interests were consummated, but not disclosed as being *initiated,* subsequent to October 31, 1970. Two companies (84 and 353) consummating poolings in 1971 presented, in addition to current year and prior year's financial statements excluding the transaction, pro forma statements for the current year to indicate the effect of the pooling. Examples of poolings of interests follow.

AMPCO PITTSBURGH CORPORATION

Notes to Financial Statements

Note 1 (in part): *Principles of consolidation and merger*—Effective December 31, 1970, Ampco Metal, Inc., was merged into Screw and Bolt Corporation of America (SABCOA), and the name was changed to AMPCO-PITTSBURGH CORPORATION. Under the terms of the merger, 1.9 shares of common stock of AMPCO-PITTSBURGH CORPORATION will be issued in exchange for each outstanding share of common stock of Ampco Metal, Inc. The transaction has been accounted for as a pooling of interests and, accordingly, the financial statements and supplementary financial information have been presented on a pooled basis for 1970 and all prior years. Accordingly, earnings invested in the business at January 1, 1969 include $8,784,063 representing the accumulated earnings of Ampco Metal, Inc. For the fiscal years ended December 31, 1970 and December 28, 1969, Ampco Metal, Inc., had net sales of $26,912,473 and $27,587,065 and net income of $1,162,777 and $1,580,765, respectively. Net income of Ampco Metal, Inc., for 1970 includes an extraordinary credit of $305,323. Intercompany transactions have been eliminated.

Net income per share of common stock is based upon the weighted average number of shares of the Corporation's common stock outstanding plus the number of additional shares issuable in connection with the merger.

DANA CORPORATION

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. On June 30, 1970, the company acquired the net assets of Michigan Wheel Company in exchange for 273,000 shares of the company's unissued common stock. This transaction has been accounted for as a pooling of interests. The effect of the inclusion of Michigan Wheel Company's accounts in the financial statements for the years 1970 and 1969 was to increase sales by $7,568,000 and $7,720,000, and net income by $423,000 and $375,000, respectively.

Net income per common share has been calculated on the basis of the average common shares outstanding, including for both years the shares issued for the acquisition of Michigan Wheel Company

ELECTRIC HOSE & RUBBER COMPANY

Notes to Financial Statements

Note 1 (in part): *Principles of consolidation*—The consolidated financial statements include the accounts of the company and its wholly owned subsidiary.

During 1970, the company acquired all the outstanding capital stock of Briggs Rubber Products Co. in exchange for 75,000 shares of common stock. Briggs was merged into Electric Hose & Rubber Company effective August 31, 1970. The acquisition of Briggs has been accounted for as a pooling of interests, and, accordingly, the consolidated financial statements for the current and prior years have been restated to include the results of operations of Briggs. Retained earnings has been charged retroactively, in the amount of $175,000, representing the difference of par value of common stock issued over the stated capital of Briggs.

Historically, Briggs has reported on the basis of fiscal years ending March 31 of each year. In the consolidated income statement results of operations of Briggs for fiscal years ending March 31 have been combined with the consolidated results of operations of Electric Hose & Rubber Company for fiscal years ending August 31. Briggs sales for fiscal 1970 and 1969 were $3,147,000 and $2,855,000 respectively. Net income of Briggs included in consolidation was $44,000 and $58,000 for 1970 and 1969 respectively. Retained earnings has been adjusted to reflect the income of Briggs for the period April 1, 1970 through August 31, 1970. During that period Briggs had net sales of $1,316,000 and net income of $55,182. The financial statements of Electric Hose & Rubber Company for 1969 and the March 31, 1970 and 1969 financial statements of Briggs combined with those of Electric Hose & Rubber Company as indicated above were each examined by other independent accountants.

EXTENDICARE, INC.

Notes to Financial Statements

Note 1 (in part): *Principles of consolidation and acquisitions*—The consolidated financial statements include the accounts of all domestic subsidiaries from the dates acquired for purchased companies and for both years (or from date of commencement of operations) for business combinations accounted for as poolings of interests.

Business combinations accounted for as poolings of interests in 1970 comprised eight hospitals, seven nursing centers and a mobile home retail sales center; 563,560 shares of Common Stock were issued in exchange therefor.

Reconciliations of revenues and net income before and after 1970 poolings of interests follow:

	1970	1969
Revenues:		
Before 1970 poolings	$40,472,231	$17,628,009
1970 poolings		
Before date of combination	9,060,317	12,329,307
After date of combination	10,192,856	– –
Total	$59,725,404	$29,957,316
Net Income		
Before 1970 poolings	$ 1,425,366	$ 1,067,677
1970 poolings:		
Before date of combination*	829,702	400,611
After date of combination	857,594	– –
Total	$ 3,112,662	$ 1,468,288

*Includes extraordinary credits for income tax reduction from loss carryforwards of $105,000 ($.03 per share) in 1970 and $78,700 ($.02 per share) in 1969.

The fiscal closings of pooled businesses are conformed to that of the Company in the year combined. The results of operations of such companies are included in the consolidated statement of income for 1969 on the basis of their respective fiscal years. Net operating data of pooled companies excluded from (duplicated in) the consolidated statement of income resulting from conforming fiscal years are approximately as follows:

	1970	1969
Revenues excluded (duplicated), net	$ (22,400)	$1,250,700
Costs and expenses excluded, net	13,000	1,208,900
Extraordinary credits excluded	116,400	– –
Net income excluded—see Statement of Stockholders' Equity	80,984	41,815

W. R. GRACE & CO.

Notes to Financial Statements

Note 1 (e): Acquisitions—The following is a summary of businesses acquired which for accounting purposes have been treated as poolings of interests transactions in 1970:

	Date Acquired	Shares of Common Stock Issued	1970 Results of Operations for Period Prior to Acquisition: Sales	Net Income
Consumer Products Group				
Book distributing and retail toy businesses of Parents' Magazine Enterprises, Inc.	May 1970	843,842	$25,716,000	$ 555,000
Far West Services, Inc.—operates restaurants	Nov. 1970	499,968	22,922,000	942,000
One other business	May 1970	83,334	1,292,000	56,000
Hatco Group				
Lawrence Maid Footwear, Inc.—manufacturer of women's and misses' shoes	Oct. 1970	420,000	28,145,000	1,208,000
Herman's Merchandising Corp. and its affiliated companies—retail sporting goods	July 1970	241,000	4,660,000	227,000
Specialty Products Group				
Three businesses	Various	77,162	736,000	107,000
Other Activities				
Fan Coach Inc.—manufacturer of mobile homes	Dec. 1970	145,560	8,735,000	439,000
		2,310,866		

Also, in January and February 1971 the Company and its wholly owned subsidiary company, W. R. Grace Overseas Development Corporation, acquired capital stock of a food products company based in Europe and two domestic businesses for $10,000,000 in cash, the issuance of shares of the Company's common stock and

W. R. Grace Overseas Development Corporation's commitment to deliver shares of a new issue of preferred stock in the years 1972 through 1974, convertible into shares of common stock of the Company. Approximately 1,600,000 shares of the Company's common stock have been issued or are expected to be issued for these businesses. For accounting purposes these transactions have been treated as either poolings of interests or part purchase, part pooling of interests, in conformity with generally accepted accounting principles in effect at the time the transactions were initiated. The income related to the purchased portion of one acquisition for 1970 and 1969 has been included in "Income applicable to minority stockholders." The sales of the businesses acquired in 1971 and included in these financial statements were $83,090,000 and $76,056,000 whereas the net income was $3,477,000 and $1,088,000 for calendar years 1970 and 1969, respectively.

The Consolidated Statement of Income and Retained Earnings includes the results of operations of the above businesses acquired in poolings of interests transactions for the entire year and the financial statements for 1969 have been restated for comparative purposes. Certain adjustments have been made to the net assets of these acquired businesses to conform to accounting practices of the Company. The effect of these changes upon previously reported consolidated earnings is not considered material.

KELLOGG COMPANY

Notes to Financial Statements

Consolidation (in part) – In October, 1970, the Company acquired Fearn International Inc., a producer of food products, by merger into a newly formed, wholly-owned subsidiary. In this transaction, former holders of Fearn stock were issued 320,366 shares of Kellogg common stock. The acquisition has been accounted for as a pooling of interests and, accordingly, the consolidated statement of income for 1969 has been restated to include Fearn net sales of $24,140,000 and net income of $537,000; retained earnings at December 31, 1968 have been increased by $3,356,000. Net sales and net earnings of Fearn for the nine months ended September 30, 1970 amounted to $18,456,000 and $113,000, respectively.

PURCHASES

Opinion No. 16 states in part:

87. An acquiring corporation should allocate the cost of an acquired company to the assets acquired and liabilities assumed. Allocation should follow the principles described in paragraph 68.

First, all identifiable assets acquired, either individually or by type, and liabilities assumed in a business combination, whether or not shown in the financial statements of the acquired company, should be assigned a portion of the cost of the acquired company, normally equal to their fair values at date of acquisition.

Second, the excess of the cost of the acquired company over the sum of the amounts assigned to identifiable assets acquired less liabilities assumed should be recorded as goodwill. The sum of the market or appraisal values of identifiable assets acquired less liabilities assumed may sometimes exceed the cost of the acquired company. If so, the values otherwise assignable to noncurrent assets acquired (except long-term investments in marketable securities) should be reduced by a proportionate part of the excess to determine the assigned values. A deferred credit for an excess of assigned value of identifiable assets over cost of an acquired company (sometimes called "negative goodwill") should not be recorded unless those assets are reduced to zero value.

Independent appraisals may be used as an aid in determining the fair values of some assets and liabilities. Subsequent sales of assets may also provide evidence of values. The effect of taxes may be a factor in assigning amounts to identifiable assets and liabilities (paragraph 89).

95. Notes to the financial statements of an acquiring corporation should disclose the following for the period in which a business combination occurs and is accounted for by the purchase method.

a. Name and a brief description of the acquired company.

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

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

d. 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.

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

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

TABLE 1-19: PURCHASES

Number of Companies	1970	1969	1968	1967
Reporting excess cost of acquisition as an intangible asset	89	97	95	72
Not reporting excess cost of acquisition as intangible asset	21	27	27	14
Not determinable whether intangible is recognized	45	71	68	30
Total	155	195	190	116

Information relating to several relatively minor acquisitions may be combined for disclosure.

96. Notes to the financial statements of the acquiring corporation for the period in which a business combination occurs and is accounted for by the purchase method should include as supplemental information the following results of operations on a pro forma basis:

a. 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.

b. 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.

The supplemental pro forma information should as a minimum show revenue, income before extraordinary items, net income taxes, interest expense, preferred stock dividends, depreciation and amortization of assets, including goodwill, should be adjusted to their accounting bases recognized in recording the combination. Pro forma presentation of results of operations of periods prior to the combination transaction should be limited to the immediately preceding period.

AMERICAN MOTORS CORPORATION

Notes to Financial Statements

Note B: Acquisitions: During the year ended September 30, 1970, the Company made the following acquisitions:

Jeep Corporation, a manufacturer of four-wheel drive vehicles and heavy-duty military trucks, was acquired on February 5, 1970, effective as of October 1, 1969. The purchase consideration was $10,000,000 in cash, $9,493,482 in 8½% Serial Notes, and 5,500,000 shares of the Company's Capital Stock for a total purchase price of $70,213,732.

Windsor Plastics, Inc., a manufacturer of precision injection moldings, was acquired on September 2, 1970. The purchase consideration was 490,000 shares of the Company's Capital Stock for a total purchase price of $3,272,597.

Holmes Foundry Ltd. is a manufacturer of automotive castings in which American Motors previously held a 25% interest. The remaining 75% interest was acquired on September 1, 1970. The purchase consideration was 264,413 shares of the Company's Capital Stock for a total purchase price of $1,757,736.

These transactions have been accounted for by the purchase method and, accordingly, the operations of these companies have been reflected in the financial statements from the effective dates of acquisition. Under the purchase method of accounting, the total purchase price is assigned to net assets acquired based upon their estimated value. The unallocated excess of purchase price over the net assets acquired in these transactions amounts to approximately $2,210,000 and is not being amortized since there is no anticipated diminution of value.

Total 1970 revenues include approximately $390,000,000 from companies acquired during the year. The acquisitions had a negligible effect on operating results.

Pro forma results of operations reflecting the operations of the acquired companies as though they had been combined as of October 1, 1968, are as follows:

	Year Ended September 30	
	1970	1969
	(Dollars in Thousands)	
Total revenues	$1,095,274	$1,230,310
Net earnings (loss*)	55,797*	8,256
Earnings (loss*) per share	$2.20*	$.33

BATH INDUSTRIES, INC.

Notes to Consolidated Financial Statements

Acquisition—The accompanying financial statements include the operations of Webb Furniture Corporation since the date of its acquisition, November 30, 1970. The purchase price was $4,561,000 in cash and notes. The excess of the acquisition cost over the net book value at date of purchase has been allocated to property, plant and equipment in the accompanying consolidated balance sheets. The entire amount assigned to the property accounts will be determined by independent appraisers.

The following is a summary of the pro-forma results of operations for the years ended December 31, 1970 and 1969 assuming that the acquisition had taken place on January 1, 1969 and that the increased depreciation and interest charges, net of income taxes, had been incurred since that date.

	Years Ended December 31	
	1970	1969
Net sales	$194,979,000	$197,481,000
Income before extraordinary items	7,213,000	7,793,000
Net income	2,513,000	8,775,000
Per share of common and common stock equivalents—before extraordinary items	$1.51	$1.62
Net income	$ .52	$1.82

THE PITTSTON COMPANY

Notes to Financial Statements

Note 1 (in part): *Principles of consolidation and related matters*—The accompanying financial statements reflect the accounts of The Pittston Company and its subsidiaries, except for certain foreign subsidiaries the investment in which is reflected in the balance sheet at equity value.

During the year 1970, two coal mining companies were acquired and were accounted for by the purchase method. The operations of these companies are included in Pittston's consolidated income statement from dates of acquisition (May 1 and December 1). The companies were acquired for cash and notes totalling $43,132,181. The pro forma consolidated results of operations for the calendar years 1970 and 1969, on the assumption that the companies had been acquired at the beginning of 1969, are shown in the following table.

	In Thousands Except Per Share Figures	
	1970	1969
Net sales and operating revenues	$529,471	$440,375
Income before extraordinary items	38,023	16,444
Net income	42,970	16,444
Per share		
Income before extraordinary items	2.42	1.06
Net income	2.74	1.06

COST OF BUSINESS COMBINATIONS

The relevant paragraphs of *Opinion No. 16* prescribing the proper accounting treatment of business combination costs are quoted below.

> 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.

NORTH AMERICAN ROCKWELL CORPORATION
Notes to Financial Statements

Note 1 (in part): *Basis of Financial Statements*—The consolidated financial statements include all significant subsidiary companies. Investments in unconsolidated subsidiaries are accounted for on the equity method.

The major portion of the business of Molded Fiber Glass Companies, Inc. was purchased for cash, 63,807 shares of Series A preferred stock, and 116,981 shares of common stock on April 8, 1970; operations with respect thereto are included in the statement of income since that date. Teleflex, Ltd., a British company, was purchased for cash of $4,650,000 in September 1970, and its operations are to be included in the statement of income commencing October 1, 1970.

Consolidated Additional Capital

Balance at September 30, 1969	$143,186,000
Add (deduct):	
Issuances for purchased company	5,266,000
Exercise of employee stock options	76,000
Conversion of preferred stock	
Portion of cost of treasury stock	(11,997,000)
Expense of acquisitions	(222,000)
Balance at September 30, 1970	$136,309,000

TABLE 1-20: COST OF BUSINESS COMBINATIONS

Number of Companies	1970	1969	1968
Costs disclosed	27	41	46
Business combinations reported but no costs disclosed	227	285	260
No business combinations reported	346	274	294
Total	600	600	600

CONTINGENCIES

In October 1958, the committee on accounting procedure of The American Institute of Certified Public Accountants issued *Accounting Research Bulletin No. 50—Contingencies* which states that:

> In the preparation of financial statements presenting financial position or operating results, or both, it is necessary to give consideration to contingencies. In accounting, a contingency is an existing condition, situation or set of circumstances, involving a considerable degree of uncertainty, which may, through a related future event, result in the acquisition or loss of an asset, or the incurrence or avoidance of a liability, usually with the concurrence of a gain or loss. A commitment which is not dependent upon some significant intervening factor or decision should not be described as a contingency.

CONTINGENT LIABILITIES AND COMMITMENTS

Table 1-21 summarizes the nature and frequency of various contingent liabilities and commitments disclosed in the 1970 annual reports of the survey companies. Examples of contingent liability and commitment disclosures, except for receivables sold or discounted, follow. Examples of receivables sold or discounted are presented in connection with Table 2-7. See Table 2-42 for long-term leases.

Nongovernment Litigation

AMERICAN SMELTING AND REFINING COMPANY
Notes to Financial Statements

Note 10: Litigation— The Company is a defendant in various lawsuits. Refer to Litigation on page 16 for further details.

It is the opinion of the Company and of its counsel that the outcome of the lawsuits and of other miscellaneous matters now pending will not materially affect the operations or the financial position of the Company or of any of its subsidiaries.

Litigation (Page 16)

During the year, additional law suits alleging damages caused by air pollution were filed against the Company. Two of these were purported to be class actions. Substantial amounts of damages were claimed, coupled in several instances with demands for injunctive relief against the allegedly polluting operations. One of the

class action suits was dismissed without prejudice. In the second, the class-action allegation was withdrawn by stipulation. In another class action suit, instituted in December 1969, an order has been entered dismissing the class action allegation.

In June 1970, an action was instituted in the Federal District Court for the District of Arizona, by the Papago Indian Tribe seeking damages amounting to approximately $22 million and other relief in connection with Asarco's San Xavier mining project. It is expected that a trial will be held by the summer of 1971.

Separate actions were commenced in June and October 1970 in the Federal District Court for the Eastern District of Pennsylvania by two copper fabricating companies and their subsidiaries against the major U. S. copper producers, including Asarco, for damages in unspecified amounts and injunctive relief under the antitrust laws. In both of these suits it is claimed that the defendants unlawfully combined and conspired to restrain and monopolize trade and commerce in the production and fabrication of copper. Additional allegations claim violations of the anti-merger section of the Clayton Act and charge discriminatory pricing for copper fabricated products in violation of Section 2(a) of the Clayton Act.

The Company continued to oppose a suit in the Superior Court of the State of Arizona, instituted by a farming organization against several mining companies, including Asarco, with operations in the Santa Cruz Valley, south of Tucson. This suit seeks injunctive relief against the pumping and removal by these companies of underground water from their wells in the area.

It is the opinion of the Company and of its counsel that the outcome of the suits mentioned and of other miscellaneous litigation now pending will not materially affect the operations or the financial position of the Company or of any of its subsidiaries.

NATIONAL GYPSUM COMPANY

Notes to Financial Statements

Litigation – A number of civil antitrust damage suits claiming treble damages are pending against the company and others. In most instances the amount of damages claimed is not specified but could be substantial in the aggregate. Certain of the actions have been tried in the United States District Court for the Northern District of California. To date no decision has been rendered.

Pursuant to the provisions of the Securities Exchange Act of 1934 the Company reported the acquisition of 699,900 shares of the common stock of H. H. Robertson Company at a cost of $22,746,010. Robertson brought an action against the Company in the United States District Court for the Western District of Pennsylvania seeking a judgment requiring, among other things, that the Company divest itself of all Robertson stock owned by it, awarding Robertson treble damages for alleged violation of the antitrust laws and single damages for alleged violations of the security laws.

General Counsel in respect to the civil antitrust damage suits and Special Counsel in respect to the Robertson action, are of the opinion the Company has meritorious defenses based upon the proceedings to date.

TABLE 1-21: CONTINGENT LIABILITIES AND COMMITMENTS

Nature	1970	1969	1968	1960
A: Litigation:				
Nongovernment	101	80	76	75
Government	79	72	39	64
Not identified	93	88	62	17
B: Guarantees:				
Subsidiaries	107	110	106	79
Other	45	42	40	29
C: Possible tax assessments	60	63	51	42
D: Accounts or notes receivable sold	47	44	31	33
E: Purchase or repurchase commitments	131	129	93	22
F: Additional stock to be issued in connection with a purchase	48	60	N/C	N/C
G: Miscellaneous agreements and contracts	72	76	66	39
Total	783	764	564	400
Number of Companies Referring to Contingent Liabilities or Commitments				
On the face of the balance sheet	93	89	60	13
In notes to financial statements or in president's letter only	321	286	277	252
	414	375	337	265
No reference	186	225	263	335
Total	600	600	600	600

NC – Not compiled

*Refer to Company Appendix Section – A; 99, 292, 460; B: 57, 338, 538; C: 374, 438, 568; D: 7, 157, 497; E: 19, 313, 391; F: 47, 286, 328; G: 43, 165, 663.

TEXAS GULF SULPHUR COMPANY

Notes to Consolidated Financial Statements

Note 7: The Company (together with others) is a defendant in approximately 100 lawsuits in which the plaintiffs claim, in essence, that news concerning the Company's exploration activities near Timmins was improperly withheld. Some of the suits purport to be class actions, and one has been declared to be a class action. The plaintiffs seek both compensatory and punitive damages. While in the opinion of counsel it seems clear that punitive damages will not be recovered, these law-

suits present many other important unresolved issues of law and fact. During 1969 a U.S. District Court awarded damages totaling approximately $21,000 to plaintiffs in three of these suits. Certain other were decided in favor of the Company. The three adverse decisions have been appealed by the Company. If the issues in the various cases were ultimately to be resolved adversely to the Company, recoveries could be in substantial amounts, but the Company has been advised by its counsel that, while the outcome is uncertain, in their opinion the Company should be successful in the defense of the claims against it.

In 1970 the Company acquired the 10 percent net profits interest in one area of the Kidd Creek Mine which had been held by The Royal Trust Company as trustee for the estate of Murray Hendrie. This terminated the Canadian litigation concerning title to that property.

In addition, the Company is defending a number of other lawsuits. In the opinion of counsel, the Company will either be successful in defending this additional litigation or will incur no material liability which is not provided for by insurance or otherwise.

Government Litigation

THE BENDIX CORPORATION

Notes to Consolidated Financial Statements

Note 1 (in part): Basis of Financial Statements— Subsequent to the Corporation's acquisition of the net assets and business of Fram Corporation (Fram) in June 1967, the Federal Trade Commission (Commission) commenced an action against the Corporation challenging the acquisition and seeking divestiture of such net assets and business. In September 1969, a hearing examiner appointed by the Commission filed an initial decision holding that the Corporation's acquisition of the net assets and business of Fram was not illegal. On June 24, 1970, the Commission reversed the decision of its hearing examiner and issued an order holding that the acquisition was illegal. Further, the Commission ordered complete divestiture of Fram by the Corporation within one year from the date the order becomes final and prohibited the Corporation from acquiring, without prior Commission approval, any corporation engaged in the manufacture or sale of automotive or aerospace filters or filter water separators in the United States for a period of ten years. The Corporation appealed the decision to a United States Court of Appeals.

Because of this appeal, the Corporation is not presently required to divest itself of Fram and will not be so required unless and until the Commission's order is upheld in a final determination by the courts.

The final outcome of the action and the terms and conditions by which such possible divestiture will be arranged cannot now be determined. The sales and net income of Fram (restated to include the sales and net income of companies which have become divisions or subsidiaries of Fram) included in the Consolidated Statement of Income for 1970 and 1969 are as follows:

	Year Ended September 30	
	1970	1969
Net Sales	$123,312,957	$108,215,816
Net income	6,863,151	6,289,821

HAMILTON WATCH COMPANY

Notes to Consolidated Financial Statements

Note 10 (in part): *Contingencies and Commitments*— The Company may be liable to the United States Army for a reduction in price of certain fuze contracts by approximately $435,000 based on recommendations by the Defense Contract Administration Agency. These recommendations are based on alleged submission of defective cost and pricing data by the Company. The Company is contesting the validity of these recommendations to the Contracting Agency.

Guarantees of Subsidiaries' and Affiliates' Obligations

REPUBLIC STEEL CORPORATION

Notes to Financial Statements

Note 1: Commitments and Contingent Liabilities—The Corporation has guaranteed certain bank loans of unconsolidated domestic subsidiaries ($3,400,000 outstanding at December 31, 1970) up to a maximum of $6,000,000.

In the event certain companies are unable to make payments on their indebtedness (principally related to construction of facilities by Companies supplying raw materials to the Corporation) the Corporation has agreed to pay specified amounts thereof aggregating $16,452,000 at December 31, 1970.

Reserve Mining Company is currently engaged in proceedings concerning its discharge of taconite "tailings" into Lake Superior and has submitted to a Federal-State conference for its consideration a proposal for modification of the present method of disposing of tailings. Republic is not able to determine the modification which will ultimately be adopted as a result of the proceedings. Although the cost of such modification could be substantial, Republic believes that there will not be a material adverse effect on the results of its operations.

SUN OIL COMPANY

Notes to Financial Statements

Contingent Liabilities and Commitments (in part)— Sun is contingently liable for guarantees of loans payable by associated companies and others approximating $17,800,000 at December 31, 1970. Management considers that losses, if any, from these guarantees would not be significant.

Tax Contingencies

HOUDAILLE INDUSTRIES, INC.

Notes to Financial Statements

Note E: Prior Years' Taxes— The Internal Revenue Service has proposed substantial assessments for additional Federal income taxes resulting from adjustments of depreciation and other deductions taken on the Company's Federal income tax return for 1965. These proposed assessments are being contested and management and its tax counsel are of the opinion that, although the ultimate disposition of this matter is indeterminate at this time, any additional taxes which might

become payable because of this controversy will not have a material adverse effect on the financial statements of the Company.

Purchase Commitments

CELANESE CORPORATION
Notes to Consolidated Financial Statements

Note (in part): *Commitments*—At December 31, 1970, there were commitments of approximately $40 million for acquisition of facilities. Investments in certain companies may be required to a maximum amount of $19.9 million.

The Corporation has agreed to purchase or obtain orders for products of a subsidiary of Columbia Cellulose at prices that include all costs including amounts sufficient to pay current installments of principal and interest on certain long-term debt that amounted to $40 million at December 31, 1970.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
Notes to Consolidated Financial Statements

Note 9 (in part): *Commitments, contingent liabilities and guarantees*—Subsequent to June 30, 1970, a 50%-owned affiliate sold its major operating asset, a cargo vessel. The Corporation's long-term commitment for charter of the vessel and payment of rentals was accordingly terminated.

Under long-term agreements, the Corporation is committed to purchase products from an affiliated domestic company, at prices designed to assure the seller recovery of specified costs and is committed to advance additional funds, if required, to enable the affiliate to meet its obligations.

At June 30, 1970 the Corporation and certain of its consolidated subsidiaries have guaranteed indebtedness of others approximating $3,000,000 and are contingently liable in connection with approximately $1,700,000 of notes receivable discounted. The Corporation is committed to the purchase of certain phosphate ore reserves in the amount of $2,600,000, sometime between 1972 to 1974, subject to the seller meeting specified conditions.

In connection with the sale in fiscal 1969 of the Bonnie, Florida phosphate chemicals facilities, the Corporation is committed to purchase, in the event of default by the buyer or on certain other conditions stipulated in the commitment agreement, first mortgage notes issued by the buyer to a lender in the aggregate principal amount of $28,000,000 at June 30, 1970, payable by January 1, 1984.

The Corporation and its partner are committed to maintain the working capital of a 50%-owned affiliate at a specified amount in connection with the affiliate's bank loans aggregating $11,000,000 at June 30, 1970. The Corporation can satisfy its commitment at any time upon payment of one-half of the then outstanding bank loans. Either partner can, by making an offer at a specified price, require the other partner to buy or sell its interest at that price, which transaction would accelerate payment of the bank loans.

TABLE 1-22: CONTINGENT ASSETS

Nature	1970	1969	1968	1966
Operating losses which may be carried forward to offset possible future income taxes	49	41	30	33
Investment credit which may be carried forward to offset future income taxes	29	37	34	25
Other	12	16	23	14
Total	90	94	87	72
Number of companies presenting contingent assets	71	70	70	60

Contingent Payments Based on Future Earnings of Acquired Companies

AMERICAN SEATING COMPANY
Notes to Consolidated Financial Statements

Note (in part): Contingencies and Commitments—The agreement for the acquisition of Art Laboratory Furniture Ltd. and related companies, which provides for possible additional payments totaling a maximum of $1,300,000 based on net income of the Art Lab Companies for the five years ending December 31, 1972, is currently being renegotiated to eliminate this contingency.

COLLINS & AIKMAN CORPORATION
Notes to Consolidated Financial Statements

Note 4 (in part)—Common stock, stock options and restricted stock plan: Pursuant to an agreement, the Company will issue an additional 75,000 shares of its common stock to former stockholders of a previously acquired business. Depending upon the results of operations of the acquired business during the year ending February 27, 1971, an additional 75,000 shares may be issued.

CONTINGENT ASSETS

Table 1-22 shows the nature of contingent assets disclosed in the 1970 annual reports of the survey companies. Examples of contingent asset disclosures follow.

AMERICAN ZINC COMPANY
Notes to Consolidated Financial Statements

Note 4: Federal Income Taxes— All available federal income tax credits have been previously recorded. The company has an unused loss of approximately

$5,000,000 at June 30, 1970, the tax effect of which may be used to reduce future book income tax provisions.

At June 30, 1970, the company has available, as deductions from future income otherwise subject to federal income tax, carry-forward losses of approximately $21,000,000 (including the aforementioned $5,000,000) which expire as follows: $1,400,000 in 1972; $2,000,000 in 1973; $8,600,000 in 1974; and $9,000,000 in 1975. At June 30, 1970, 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 two years, and $600,000, $800,000 $600,000 and $100,000 in 1973, 1974, 1975 and 1976 respectively.

CERTAIN-TEED PRODUCTS CORPORATION

Notes to Financial Statements

Note 1 (in part)—CSG has available net operating loss carryovers of approximately $11,450,000 at December 31, 1970. These carryovers may be used to reduce taxable income of such company for subsequent years, $2,350,000 expiring December 31, 1972, $4,550,000 expiring December 31, 1973, $3,400,000 expiring December 31, 1974 and $1,150,000 expiring December 31, 1975. Investment tax credit carryovers aggregating approximately $795,000 at December 31, 1970 can also be applied against future Federal income tax liabilities. The unused investment tax credit carryovers can be utilized, $25,000 through 1974, $420,000 through 1975 and $350,000 through 1976, and under certain conditions these investment tax credit carryovers may be extended for three years.

The utilization of the aforementioned net operating loss and investment tax credit carryovers is dependent upon the subsidiary earning sufficient future taxable income.

RANCO INCORPORATED

Notes to Consolidated Financial Statements

Note 11: Two subsidiaries of the Company are plaintiffs in a suit for breach of contract and are seeking damages in the amount of $3,600,000. In the opinion of legal counsel for the Company, the Company's subsidiaries will be successful in the prosecution of their suits, the amount of recovery being, of course, subject to the contingencies inherent in litigation.

The defendant in that suit has filed counterclaims in the amount of $13,200,000. In the opinion of legal counsel for the Company, the counterclaims are without merit.

No provision has been made for either the claim or the counterclaims in the financial statements.

STRUTHERS WELLS CORPORATION

Notes to the Financial Statements

Note 12: Tax Carryovers—At November 30, 1970 the Company had a consolidated net operating loss carryover subject to final determination by the Internal Revenue Service, of $6,900,000 which expires as follows

November 30,	
1971	$ 620,000
1972	430,000
1973	2,800,000
1974	50,000
1975	3,000,000
	$6,900,000

In addition, the Company has approximately $285,000 of investment tax credits available to reduce Federal income taxes. These credits expire in varying amounts during the next seven years.

SUBSEQUENT EVENTS

Events or transactions which occur subsequent to the balance sheet date but prior to the issuance of the financial statements and which have a material effect on the financial statements should be either reflected or disclosed in the statements. *Statement on Auditing Procedure No. 47— Subsequent Events,* issued in September 1971, sets forth criteria for the proper treatment of subsequent events.

Table 1-23 classifies disclosures of subsequent events included in the 1970 annual reports of the 600 survey companies.

Examples of subsequent event disclosures follow.

Capital Stock

AKZONA INCORPORATED

Notes to Consolidated Financial Statements

Note 2 (in part): *Long-term debt*—In January 1971, debentures aggregating $24,978,700 were converted into 740,109 shares of common stock; net income per average common share outstanding would have been $2.16 for 1970 if these debentures had been converted at the beginning of that year.

THE DUPLAN CORPORATION

Notes to Consolidated Financial Statements

Note 6 (in part): *Common stock*—On November 11, 1970, the Corporation sold 400,000 shares of common stock (including 180,751 shares held in the treasury) to the public through underwriters. The net proceeds of approximately $10,300,000 were used to reduce term bank loans.

SPARTON CORPORATION

Notes to Consolidated Financial Statements

Note 7: Subsequent event—On July 24, 1970 the Company issued an offer to purchase up to 100,000 shares of its common stock at $10.00 per share. The offer, which expired August 10, 1970 and was extended to August 24, 1970, provides that the Company may

TABLE 1-23: SUBSEQUENT EVENTS

Capital Stock	1970	1969	1968
Stock split proposed or approved	2	11	45
Changes in capital structure	8	21	23
Extra distributions declared in cash or stock, or dividends omitted	9	4	12
Issue of additional stock	10	20	17
Stock acquired for redemption, retirement, or conversion	3	4	4
	32	60	101
Employees			
Welfare, pension, profit-sharing or stock option plans or other employee benefits	28	9	22
Union negotiations	1	--	4
	29	9	26
Property, Plant and Equipment			
Purchased or constructed	4	3	4
Sold or operations terminated	20	12	9
Catastrophe or expropriation	2	3	2
	26	18	15
Indebtedness			
Incurred	37	38	24
Reduced or refinanced	28	7	10
	65	45	34
Subsidiary or affiliated companies			
Mergers or acquisitions pending, proposed or effected	69	105	141
Sold or holdings decreased	15	13	9
	84	118	150
Other			
Contracts entered into or cancelled	10	5	9
Litigation	22	10	8
Various other	38	9	6
	70	24	23
Total	306	274	349
Number of Companies			
Referring to subsequent events	226	205	258
Not referring to subsequent events	374	395	342
Total	600	600	600

elect to purchase some or all shares tendered in excess of the original offer. At August 14, 1970, a total of 107,283 common shares had been tendered and accepted by the Company.

Employees

HERFF JONES CO.
Notes to Financial Statements

Note 11: Events Subsequent To June 30, 1970 - The Company has entered into a new two-year agreement with the International Jewelry Workers Union Local No 127 representing the bargaining unit employees at its main jewelry plant in Indianapolis. Work was resumed on August 31, 1970, after a work stoppage of approximately seven weeks.

NEPTUNE METER COMPANY
Notes on Financial Statements

Note 6 (in part): On January 27, 1971, the Board of Directors adopted, subject to stockholder approval, a 1971 stock option plan. The plan provides for the granting of qualified and non-qualified stock options to selected employees to purchase an aggregate of 100,000 shares of common stock. The plan terminates on January 27, 1981. Qualified options are to be granted at prices not less than 100% of the fair market value at date of grant, are cumulatively exercisable to the extent of 25% at the end of each year from the date of grant and expire five years after grant. Nonqualified options may be granted at prices not less than 85% of the fair market value at the date of grant, are exercisable in the same manner as qualified options, and expire ten years after grant. Nonqualified options also contain a provision whereby the Corporation has the right, in lieu of delivering any or all shares as to which an option has been exercised, to elect instead to pay the optionee a sum in cash equal to the difference between the fair market value of the shares on date of exercise and the option price thereof. Options cancelled become available for future grant.

Pursuant to an employment agreement, dated February 4, 1971, the Corporation's newly elected President and Chief Executive Officer has been granted under the 1971 stock option plan a qualified option to purchase 25,000 shares at 100% of the market value on March 1, 1971, and a nonqualified option to purchase 25,000 shares at the lower of 85% of the market value on February 4, 1971 ($17.53) or on March 1, 1971, provided, however, that the aggregate options exercised shall not be in excess of 25,000 shares. The aforementioned employment agreement provides, in addition to a basic salary, incentive compensation based on increased earnings during the five year term of the agreement.

Property, Plant and Equipment

ALLIED MILLS, INC.
Notes to Consolidated Financial Statements

Note B (in part): *Long-term debt*—Subsequent to June 30, 1970, the company entered into two lease agreements in connection with construction and expansion of plant facilities. The projects are financed through industrial revenue bonds and warrants issued by the lessors in the amount of $2,700,000. The basic rental payments are for amounts sufficient to pay interest and retirement requirements for the issues

The company has options to acquire the facilities in 1972 and 1980. These transactions will be accounted for as a purchase.

METRO-GOLDWYN-MAYER INC.
Notes to Financial Statements

Note 12: Subsequent events—The following significant subsequent events occurred after August 31, 1970, and will be reflected in future financial statements:

In September, the Company entered into an agreement to sell to Levitt and Sons of California, Inc., approximately 68 acres of its real estate in Culver City, California for a price of $7.25 million. The sale is contingent upon obtaining effective rezoning. The sale price is to be paid $1.91 million on or before August 1, 1971, and the balance over a three-year period.

In November, the Company sold its Boreham Wood studio to Sterling Homes (Holdings) Limited. The studio consists of buildings and approximately 115 acres of land. The sum of $4.32 million has been paid and the price could reach a maximum of $9.6 million depending upon future rezoning.

Indebtedness

CONSOLIDATED PACKAGING CORPORATION
Notes to Financial Statements

Note 6 (in part): *Long-term bank loan*—Subsequent to year end, the Company entered into a loan agreement with a corporate lender to borrow the sum of $4,000,000. The loan, which matures June 30, 1973, is in the form of a principal promissory note with interest at a rate equal to the prime interest rate plus 2% per annum to a maximum rate of 8¾% per annum. The proceeds received from the loan will be used to pay in full the 6½% bank loan outstanding at December 31, 1970 with the remaining proceeds to be used for general corporate purposes. The Company is required among other things, to pay no dividends during the term of the loan and maintain working capital equal to or greater than the working capital at December 31, 1970. Property, plant and equipment with a depreciated cost of $8,300,000 is pledged as collateral for the promissory notes and all present and future trade payables due to the lender.

THE GENERAL TIRE & RUBBER COMPANY
Notes to Consolidated Financial Statements

Note F (in part): On January 22, 1971 the Company formally closed a loan agreement, for which the interest rate, maturity schedule and certain key provisions had been established in the fall of 1970, with several institutional lenders providing for a $60,000,000 borrowing of which $55,000,000 was received on January 22, 1971 and the balance of $5,000,000 is scheduled to be obtained on July 1, 1971. The notes call for a 10¼% interest rate with repayments due in equal installments in 1975 through 1990. The proceeds of the borrowing will be used initially to increase the Company's working capital through the reduction of short term borrowings.

MCA INC.
Notes to Consolidated Financial Statements

Note 4 (in part): *Notes Payable to banks and other obligations*—On February 25, 1971 the company arranged to renew its revolving bank credit of $134,000,000 with three banks for a term of six years with prepayment privileges. A commitment fee of ½ of 1% per annum is payable on the unused portion of the credit. The revolving credit will be reduced by $10,000,000 at the end of each year until the expiration date. Under the arrangement stockholders' equity will not be reduced below $120,000,000. Loans under the revolving credit will bear interest at ½ of 1% over the prevailing prime rate and will be secured to the same extent as existing loans.

MIDLAND-ROSS CORPORATION
Notes to Consolidated Financial Statements

Note D (in part): Long-Term Liabilities and Guarantee— On March 12, 1971 the Company and a group of banks entered into an agreement providing the Company with a $35,000,000 revolving credit commitment. Borrowings shall be evidenced by revolving credit notes due March 12, 1974, with interest during each of the three years of the agreement at the banks' prime rate the first year, ¼% above prime the second year, and ¼% above prime the third year. The initial borrowings under this agreement will be used to repay the $17,370,000 of short-term notes payable to banks outstanding at December 31, 1970; accordingly, these notes have been classified as long-term debt in the accompanying financial statements.

Poolings of Interests

DART INDUSTRIES INC.
Notes to Financial Statements

Basis of Consolidation and accounting principles (in part)—On January 8, 1971 Capital Controls Company, Inc. was merged into Dart in exchange for 182,000 newly issued shares of Dart Common Stock. Capital, with 1970 sales and net earnings of $2,952,000 and $425,000, respectively, manufactures a line of water chlorinators and other water pollution control equipment. At November 30, 1970, Capital's balance sheet comprised the following: current assets—$1,216,000; properties—$457,000; investments and other assets—$77,000; current liabilities—$537,000; stockholders' equity—$1,213,000. This transaction will be accounted for as a pooling of interests in 1971.

THE MAGNAVOX COMPANY
Notes to Consolidated Financial Statements

Note 1 (in part): *Acquisitions*—On February 18, 1971 the Company consummated a merger with LaSalle-Deitch Company, Inc. through an exchange of 606,425 shares of common stock of the Company for all of the then outstanding capital stock of LaSalle-Deitch. This

acquisition will be accounted for as a pooling of interests in 1971, and prior years' financial statements will be restated in subsequent reports to retroactively reflect inclusion of LaSalle-Deitch. However, the consolidated financial statements for 1970 and 1969 presented in this report exclude LaSalle-Deitch because a recent opinion of the Accounting Principles Board requires that an acquisition be consummated before the acquiring company's year end in order for pooling to be permitted in the financial report for that year. Pro forma consolidated financial statements for the year 1970 also are presented in this report to indicate the effect of pooling LaSalle-Deitch. LaSalle-Deitch's consolidated financial statements for the fiscal year ended October 31, 1970 have been combined with the Company's calendar year 1970 consolidated financial statements for this purpose. LaSalle-Deitch had an equivalent of 602,925 shares of the Company's common stock outstanding throughout its 1970 fiscal year and issued the equivalent of an additional 3,500 shares prior to the merger.

SQUARE D COMPANY
Notes to Consolidated Financial Statements
Note E: Recent combinations—In February, the Company issued 1,072,443 and 83,900 shares of its previously unissued common stock for substantially all of the assets of Sorgel Electric Corporation, Milwaukee, Wisconsin and Ferro Fabricating Company, Inc., Birmingham, Alabama, respectively. The Company intends to account for these combinations as poolings of interests. Revenues and net earnings of Sorgel and Ferro for their most recent fiscal years are:

	Sorgel (Year ended December 31, 1970)	Ferro (Year ended March 31, 1970)
Revenues	$13,672,160	$1,173,680
Net earnings	1,204,043	50,905

Litigation, Contracts, etc.

INTERPHOTO CORPORATION
Notes to Financial Statements
Note 7: Subsequent events—Subsequent to February 28, 1970 the Company settled a pending anti-trust litigation against a former supplier of photographic equipment. Under the terms of this settlement, the Company sold its distribution rights for $395,000 ($195,000 in cash and two $100,000, 9% notes due September 9, 1970 and March 9, 1971), returned all inventory at cost and was reimbursed for all legal fees. The above settlement has not been reflected in the accompanying financial statements.

PHOENIX STEEL CORPORATION
Notes to Financial Statements
Note 9: Subsequent event—On February 22, 1971, the Company signed an agreement with E. W. Bliss Company settling certain claims and counterclaims relating to the modernization of the Claymont plant. The Company's principal claims were for excess repair and maintenance costs and loss of production resulting from defective equipment. The agreement provided for payment to the Company of $1,250,000, the delivery of a release in respect to the claims against Bliss and the issuance to Gulf & Western Industrial Products Company, Bliss' parent, of 100,000 shares of the Company's $4 par value common stock. Settlement was made on March 5, 1971. The accounts for 1970 have been retroactively adjusted to reflect the above settlement.

OXFORD INDUSTRIES, INC.
Notes to Consolidated Financial Statements
Note D (in part): *Income taxes*—Tax returns of the Company and its subsidiaries for the three years ended May 31, 1969 are currently being examined by the Internal Revenue Service. Subsequent to May 31, 1970, the Company agreed to additional taxes of $383,615 in final settlement of proposed tax deficiencies for the three years ended May 31, 1966. It is anticipated that this additional tax of $383,615, which is not reflected in these financial statements, should be recoverable through future reductions of taxable income by items which resulted in the additional tax, and therefore will not reduce either earnings or stockholders' equity.

SUNSTRAND CORPORATION
Notes to Consolidated Financial Statements
Note J: Subsequent Event Contingency—Sundstrand is a subcontractor on various military and commercial equipment programs, including the L-1011 TriStar program, of Lockheed Aircraft Corporation. At December 31, 1970, accounts receivable, inventory costs and purchase commitments of approximately $17 million related to Sundstrand's participation in these various programs. Subsequent to December 31, 1970, Rolls-Royce Ltd., a supplier of jet aircraft engines for Lockheed's L-1011 TriStar, went into receivership. The effect, if any, of the Rollys-Royce Ltd. receivership on Lockheed's programs and Sundstrand's realization of all related costs is not presently determinable.

U. S. GOVERNMENT CONTRACTS

Chapter 11 of *Accounting Research Bulletin 43* 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 amount and nature of the information given in the 1970 reports of the survey companies with respect to their United States Government contracts 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 59 of the companies..

Special Feature

Price redetermination, incentive feature, or contract adjustment clause.

TABLE 1-24: GOVERNMENT CONTRACTS

Balance Sheet Information	1970	1969	1968
Shown in current assets:			
Accounts receivable – government	24	30	31
Inventory less billing or progress payments received	33	23	13
Unbilled or reimbursable costs	23	7	18
Shown in current liabilities	6	2	--
Total Presentations	86	62	62
Number of Companies Referring to Government Contracts			
In balance sheet presentation	49	42	45
In report, but not included in balance sheet presentation	83	100	132
Not referring to government contracts	468	458	423
Total	600	600	600

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

THE BENDIX CORPORATION

Current Assets:

Trade Receivables (including unbilled charges – 1970, $62,705,678; 1969, $84,472,972):	
United States Government	$ 59,900,424
Other	203,714,883
Total	263,615,307
Less allowance for doubtful receivables	1,865,229
Trade receivables – net	261,750,078
Inventories (Note 2)	$350,697,124

Notes to Consolidated Financial Statements

Note 2: Inventories – Inventories are stated at the lower of cost (substantially first-in, first-out or average) or market.

By the terms of agreements with United States Government departments (under which the Corporation has received advances and partial payments on sales orders), inventories and nondurable tools acquired for such orders were subject to lien at September 30, 1970.

Note 10: Government Contracts and Subcontracts – Inventories of fixed-price contracts are stated at the accumulated cost of material, labor and manufacturing overhead, less costs proportionate to amounts billed, but not in excess of amounts estimated to be recoverable. Research and development and selling and administrative expenses are generally charged to income as incurred.

Profits on contracts are taken into income in proportion to billings made in accordance with the terms of the contracts and are subject to renegotiation under the Renegotiation Act of 1951. Proceedings for the purpose of establishing the amounts of refundable profits have not been completed for fiscal 1969 and 1970, and the amount, if any, which may be refunded under such proceedings is not determinable at this time.

SPARTON CORPORATION

Current Assets:

Accounts receivable, including unbilled costs under cost reimbursement type contracts ($125,642 in 1970, $144,143 in 1969):	
Trade, less allowance for doubtful accounts($25,575 in 1970, $24,776 in 1969)	$3,022,345
U.S. and Canadian governments	846,143
Inventories, at lower of cost (first-in, first-out basis) or market, and other costs on contracts in process, less progress payments ($4,241,698 in 1970, $1,106,314 in 1969)	5,987,071

Notes to Consolidated Financial Statements

Note 1: Renegotiation and price redetermination – U.S. government contracts – Renegotiation proceedings relating to U.S. government contracts have been completed for all years through June 30, 1969 and it is believed that no refunds of material amount will be required in respect of the year ended June 30, 1970.

Inventory Less Billings or Progress Payments Received

BURROUGHS CORPORATION

Notes to Consolidated Financial Statements

Note 2: Inventories – Inventories at December 31, 1970, summarized below, are valued at the lower of cost or market, less progress billings on U.S. Government contracts. Cost is determined mainly on the first-in, first-out method.

Machines, supplies and accessories	$244,424,029
Work in process, raw materials and factory supplies	165,269,725
Cost of uncompleted government contracts, less progress billings	14,720,462
Total	$424,414,216

RAYTHEON COMPANY

Current Assets:

Accounts receivable:

U.S. Government contracts, direct and indirect, including unbilled costs and fees on cost-type contracts: 1970—$7,131,445; 1969—$10,157,902	$38,801,883
Inventories (Note B):	
Fixed price contracts in progress, less progress payments: 1970—$234,720,303; 1969—$160,800,872	108,190,592

Current Liabilities

Advance payments, less fixed price contracts in progress: 1970—$50,547,013; 1969—$67,527,544	$12,567,308

Notes to Financial Statements

Note B: 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.

Other inventories are stated at cost (first-in, first-out or average basis) but not in excess of net realizable value. The composition of such inventories at December 31 is as follows:

	1970	1969
Finished goods	$ 40,099,841	$ 32,402,669
Work in process	48,822,526	50,567,519
Materials and purchased parts	34,233,768	34,057,874
	123,156,135	117,028,062
Less progress payments received	6,156,503	1,605,245
	$116,999,632	$115,422,817

Unbilled or Reimbursable Costs

EMERSON ELECTRIC CO.

Current Assets:

	(thousands of dollars)
Unbilled costs and estimated earnings under defense contracts, less progress billings of $11,091 (1969, $16,293)	$7,066

MOTOROLA, INC.

Current Assets:

Costs recoverable under United States government contracts, less progress billings	$5,695,960

TABLE 1-25: BACKLOG INFORMATION

Number of Companies	1970	1969
Presenting amount of backlog for company as a whole or for specific division of company	65	71
No amount for backlog presented	535	529
Total	600	600

BACKLOG INFORMATION

The number of companies presenting backlog information for the company as a whole or for one of more, but not all, divisions of the company, is shown in Table 1-25. Many companies do not have a backlog since they produce for inventory rather than to order. Examples of presentations of backlog information follow.

COLLINS RADIO COMPANY

Report to Shareholders

The worldwide recognition of Collins position of leadership in communications continues to be a strength, particularly during this period of adjustment in government and business procurement activity. At year end, the backlog of undelivered orders was higher for U.S. industrial and international customers than a year ago. A summary of backlog is shown below:

	million	
	7-31-70	8-1-69
U.S. Government	$143	$176
U.S. Industrial	94	84
International	54	44
	$291	$304

The company's backlog continues to include a comprehensive group of products for government and commercial customers of all kinds.

NORTH AMERICAN ROCKWELL CORPORATION

Financial Review

Backlog—Total backlog on September 30, 1970 was $3.26 billion compared with $3.06 billion a year earlier. The 1970 backlog total included $1.55 billion of commercial and funded aerospace orders and $1.71 billion of unfunded aerospace orders, including $1.3 billion applicable to the B-1 bomber contract. The total backlog a year earlier included $1.6 billion of commercial and funded aerospace orders and $1.46 billion of unfunded aerospace orders.

WHITE MOTOR CORPORATION

Financial Review

Backlogs—The comparative backlogs for trucks and industrial equipment at the close of business in 1970 and 1969 were as follows ($ in millions):

	Dec 31, 1970	Dec. 31, 1969
Trucks	$ 94.3	$163.0
Industrial	76.3	125.0
Total	$170.6	$288.0

Since farm products are sold principally from stock, their backlogs are not significant.

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.

Seventeen companies 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 Commission follow.

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

Nature of Difference	1970	1969	1968	1965
A different classification of costs and expenses in report to the SEC	10	9	8	8
Separate financial statements for one or more subsidiaries or affiliates in report to the SEC	5	6	4	5
Other	2	1	2	5
Total	17	16	14	18

Different Classification of Costs and Expenses in SEC Report

LOWE'S COMPANIES, INC.

Notes to Financial Statements

Note 7: Cost and Expenses—The Company's cost and expenses are classified as follows in its annual report to the Securities and Exchange Commission:

	7-31-70	7-31-69
Cost of sales, buying, warehousing and occupancy expense	$104,506,196	$ 98,485,758
Selling, administrative and general expenses	13,005,114	10,379,034
Provisions for bad debts	716,199	526,378
Interest and loan expenses	327,503	267,434
Total costs and expenses	$118,555,012	$109,658,604

SEARS, ROEBUCK AND CO.

Notes to Financial Statements

Note 10: Costs and expenses—The Company's costs and expenses are classified as follows in its annual reports to the Securities and Exchange Commission:

Year ended January 31	1971	1970
Cost of sales, buying and occupancy expenses	$5,507,711,362	$5,254,551,545
Selling, administrative and general expenses	2,752,922,886	2,599,536,692
Provision for doubtful accounts and increase in allowance for collection expenses	41,788,487	41,003,419
Interest expense	160,122,828	154,520,371
Contribution to Employes Profit Sharing Fund	87,010,844	88,174,784
Federal and state income taxes	365,200,000	297,400,000
Total costs and expenses	$8,914,756,407	$8,535,186,811

Separate Financial Statements for Subsidiary in SEC Report

CERTAIN-TEED PRODUCTS CORPORATION
Notes to Financial Statements

Note 2 (in part): The investment ($2,328,966) in Modular Sciences, Inc. (Modular), a 56% owned company, is carried at cost, adjusted for the Company's share of Modular's operating results since the date of acquisition of majority ownership. The accounts of Modular have not been consolidated since management believes that the majority ownership may be temporary, based upon the conversion rights of Modular's convertible preferred stockholders. The revenues and net income of Modular for the year ended December 31, 1970, amounted to approximately $14,700,000 and $251,000, respectively. The investment in Modular common stock was approximately $657,000 less than the Company's equity in the net assets of Modular. The Company also had accounts receivable due from Modular aggregating $1,084,127. The 1970 financial statements of Modular will be included in the Company's Annual Report on Form 10-K to be filed with the Securities and Exchange Commission.

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

DRESSER INDUSTRIES, INC.

	(In Thousands of Dollars)
Liabilities and Shareowners' Equity	
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	

Comparative Statements Cover Different Time Period

HUDSON PULP & PAPER CORP.
Notes to Financial Statements

General: Effective December 31, 1969, the Company changed its fiscal year from August 31 to December 31. The unaudited statement of income and retained earnings and related footnote information figures for the calendar year 1969, on a restated basis, are presented for comparative purposes; a statement of source and application of funds for the same period is not presented because it is impracticable to prepare one. In the annual report on Form 10-K to be filed with the Securities and Exchange Commission, the Company will include statements of income and retained earnings and of source and application of funds for the four months ended December 31, 1969.

TABLE 1-27: REFERENCE TO APB OPINIONS

Opinion Number	Title	1970	1969	1968
18	The Equity Method of Accounting for Investments in Common Stock	2	--	--
17	Intangible Assets	2	--	--
16	Business Combinations	2	--	--
15	Earnings per Share	26	42	--
14	Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants	--	1	--
12	Omnibus Opinion—1967	--	--	7
11	Accounting for Income Taxes	6	23	76
10	Omnibus Opinion—1966	--	--	5
9	Reporting the Results of Operations	1	3	19
8	Accounting for Cost of Pension Plans	4	3	7
5	Reporting of Leases in Financial Statements of Lessee	3	3	5
	Total References	46	75	119

OPINIONS OF THE ACCOUNTING PRINCIPLES BOARD

References to opinions of the Accounting Principles Board are summarized in Table 1-27. *Opinion No. 16* and *Opinion No. 17* were issued in 1970 but had limited applicability to 1970 annual reports because their provisions were mandatory only for business combinations *initiated* after October 31, 1970 or for intangible assets, other than intangible assets recognized in a business combination, acquired after October 31, 1970. *Opinion No. 18* was issued early 1971 and did not apply to 1970 annual reports.

Examples of references to APB opinions follow.

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

A. O. SMITH CORPORATION
Statement of Accounting Practices

Lease Purchase Agreements—Installment purchases under lease agreements have been established as long-term liabilities with the associated property capitalized in the accounts in conformity with APB Opinion No. 5.

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

BETHLEHEM STEEL CORPORATION
Notes to Consolidated Financial Statements

Note C: Pensions—The amounts charged against income for pensions were mainly in respect of pensions under the Pension Plan, which provides retirement benefits for substantially all employees. Benefits under the

Pension Plan are provided through the Pension Trust Fund, the assets of which, at cost, at December 31, 1970, amounted to $562,472,000 (page 9) and were sufficient to fund fully pensions theretofore granted and to provide substantial additional amounts for pensions to be granted thereafter. The actuarially computed value of vested benefits at December 31, 1970 (as determined in accordance with Opinion 8 of the Accounting Principles Board of the American Institute of Certified Public Accountants), exceeded the market value of the Pension Trust Fund at that date by approximately $80,000,000.

Opinion No. 11 – Accounting for Income Taxes

SHELL OIL COMPANY

Accounting Policies

Income Taxes – Items of income or income deductions are often recognized for payment of income taxes and for book purposes in different time periods, and tax allocation accounting as prescribed by Accounting Principles Board Opinion No. 11 is practiced for all material book/tax timing differences. For those differences pertaining to capital extinguishments, including intangible development expenditures deducted currently for tax purposes, tax deferment is computed by applying the current tax rates to the current difference in deduction. The net cumulative effect is reflected in the Statement of Financial Condition under Deferred Credits – Federal Income Taxes. For other timing differences tax deferment is computed by setting up initial differences at current tax rates and reversing these amounts in the appropriate subsequent period. The latter represent an earlier recognition of expense for book purposes than for tax purposes and they are reflected in Prepayments in the Statement of Financial Condition. Investment tax credits currently realized are applied to reduce the current provision for federal income taxes.

Opinion No. 15 – Earnings Per Share

AMERICAN BUILDING MAINTENANCE INDUSTRIES

Notes to Financial Statements

Note 10: Earnings per share – In accordance with Opinion No. 15 of the Accounting Principles Board of the American Institute of Certified Public Accountants, earnings per common share and common equivalent share are based upon the weighted average number of shares outstanding during the year and the common stock equivalents that have a dilutive effect, including options under the employees' stock option and purchase plans and contingently issuable shares. 1969 earnings per share have been restated from $1.23 per share previously reported to $1.16 per share, to be on a comparable basis with 1970. Shares issued on acquisitions accounted for as poolings of interests have been considered outstanding throughout both years. Earnings per share assuming the full dilution are the same as the earnings per share as shown.

GIANT FOOD INC.

Notes to Financial Statements

Note 9: Net earnings per share – Net earnings per share were computed in accordance with Opinion 15 of the Accounting Principles Board of the American Institute of Certified Public Accountants.

"Net earnings per share – assuming no dilution" were computed by dividing net earnings by the weighted average number of shares outstanding at the end of the year. (In accordance with the Opinion, the company has elected to exclude from the computation those securities whose "timeofissuance" was prior to June 1, 1969.)

"Net earnings per share – assuming full dilution" were computed on the assumption that all stock options were exercised and the proceeds were used to purchase shares at the average market values.

Opinion No. 18 – The Equity Method of Accounting for Investments in Common Stock

PENNWALT CORPORATION

Notes to Consolidated Financial Statements

Principles of consolidation – The consolidated financial statements include all significant wholly-owned subsidiaries. For the year ended December 31, 1970, the Company has, in anticipation of the proposed opinion of the Accounting Principles Board concerning accounting for investments, included in consolidated net earnings its equity in the net earnings of nonconsolidated (principally foreign) subsidiaries and 50% owned companies. In prior years, only the dividends received from such companies were included in consolidated net earnings. The effect of this change on the comparability of 1970 and 1969 consolidated net earnings was not significant since dividends of $243,000 in 1969 from such companies approximated the Company's equity in their net earnings. At December 31, 1970, investments in nonconsolidated subsidiaries and 50% owned companies are recorded at cost plus equity in undistributed earnings since acquisition. The difference between cost and the carrying value of these investments as of January 1, 1970, has been credited to earnings retained for use in the business. The equity of the Company and its consolidated subsidiaries in the net assets of nonconsolidated subsidiaries and 50% owned companies exceeded the carrying value of these investments by approximately $1,000,000 at December 31, 1970.

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

AVCO CORPORATION

Accounting practices (page 15) – The accounting practices of life insurance companies are prescribed by regulatory authorities. To the extent that certain of these practices differ from generally accepted accounting principles, they have been appropriately adjusted for inclusion in the accompanying combined financial statements of Avco's insurance subsidiares. Costs incurred upon issuance of new life insurance policies continue to be charged against earnings in the period incurred rather than deferred and amortized over the terms of the policies, the result of which is to reduce net earnings in a period of growth and increase net earnings in a period of decline in new business, and no adjustment has been

made to the policy reserves. The American Institute of Certified Public Accountants has announced that, in the near future, it intends to define accounting principles appropriate for life insurance companies. Based upon public announcements, it is expected that these principles will provide that certain policy acquisition costs be deferred and amortized and that policy reserves may be stated on bases which differ from those which are accepted by the regulatory authorities.

GARLOCK INC.

Finance Group (page 15)—The Finance Group of Garlock accounts for all of the assets and liabilities of the Corporation with the cooperation of accountants located in the various divisions. It takes steps to safeguard the assets both through insurance programs and internal control systems. It deals with the financial community to arrange for banking, investing and borrowing of funds, and finding sources of new funds, both here and abroad.

This group compiles the financial reports of the Company in accordance with the regulations that are prescribed by the Securities and Exchange Commission, the New York Stock Exchange and the American Institute of Certified Public Accountants to inform present shareholders and prospective purchasers of Garlock stock how the Company is progressing financially.

In compiling these reports the Finance Group obtains the information from a carefully designed internal reporting system which informs each member of management of the financial and related information he needs to discharge his responsibility.

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 states:

> 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 statements adjusted to a common dollar basis. Discussions of, or references to, economic price-level changes or inflation were included in 113 annual reports. Examples of such discussions follow.

BROCKWAY GLASS COMPANY, INC.

Earnings and Dividends (page 8)

In order to partially offset the higher costs being incurred and to insure the Company's ability to properly service the growing glass container market, selective price increases averaging 3 to 6% on most glass container lines were announced. The cumulative effect of these price adjustments moved the Company's selling price index (based upon 1957-1959 as 100) to 118 for the full year 1970 up from 114 for 1969. These increases, together with some improvements in productivity, did not offset the total cost increases and some decline in pre-tax earnings resulted.

EATON YALE & TOWNE, INC.

To Our Shareholders (page 3)

For Eaton, 1970 was a year of progress tempered by the relative adversity of a softened U.S. economy. Consolidated net worldwide sales were $997,433,972, down slightly from 1969 sales of $1,073,383,778. Earnings, pressured by the full impact of the inflationary forces that prevailed in 1970, were down sharply to $47,263,706 from the record 1969 figure of $62,282,892. Per share earnings decreased from $3.42 to $2.54. Based upon current economic forecasts, the company anticipates improved sales in 1971, accompanied by a significant recovery in earnings, approaching pre-1970 levels.

Inflation was the major challenge to management in 1970. Some of the effects of inflation can be illustrated by the fact that, in 1970, our labor costs rose 5.5 per cent while material costs increased six per cent, for a total of $45,100,000. These increased costs could not be entirely offset by cost reduction or price increases in a faltering economy. To counteract price erosion and other inflationary pressures, we instituted rigid cost controls, consolidated operations and streamlined personnel requirements at all levels.

MEREDITH CORPORATION

Costs and Expense (page 29)—At $130,856,000, costs and expenses in fiscal 1970 (exclusive of income taxes) were $16,101,000 higher than in 1969 This represents a 14.0 per cent increase contrasted with the revenue gain of 8.8 per cent. This sharp rise in costs and expenses was in large measure attributable to the greatly intensified inflationary pressures experienced by American industry generally in the past year. The effects of inflation on Meredith's earnings and profit margins were especially apparent in fiscal 1970, despite increased prices for some of the Company's products and services and continued efforts to control costs and improve efficiency. As a result of negotiated settlements in 1969, wage costs were substantially higher, as were salary expenses. Employee benefit costs increased and payroll taxes were up. Publication paper prices were raised in January, 1970. Two increases in second-class postage rates—in January of 1969 and 1970—and higher third-class postal rates effective in July, 1969, also added to costs.

Section 2: Balance Sheet

TITLE OF THE BALANCE SHEET

Table 2-1 summarizes the titles used to describe the statement of assets, liabilities, and stockholders' equity.

FORM OF THE BALANCE SHEET

Balance sheet formats include the *account form,* the *report form,* and the *financial position form. The account form* shows total assets on the left side of the statement equal to the sum of liabilities and stockholders' equity on the right side. The *report form* shows a downward sequence of total assets minus total liabilities equal to stockholders' equity. The *financial position form,* a variation of the *report form,* shows noncurrent assets added to and noncurrent liabilities deducted from working capital to arrive at a balance equal to stockholders' equity. Table 2-2 summarizes the balance sheet formats used by the survey companies.

TABLE 2-1: TITLE OF BALANCE SHEET

Title used	1970	1969	1968	1965
Balance Sheet	518	512	507	470
Statement of Financial Position	57	61	64	94
Statement of Financial Condition	25	27	28	31
Other Captions	–	–	1	5
Total	600	600	600	600

CASH

The majority of the reporting companies present cash as a single ittem and use the caption *cash.* The number of companies which combine marketable securities with cash as a single account title has been steadily increasing. Twenty 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. Examples of captions for cash and cash items follow:

TABLE 2-2: FORM OF BALANCE SHEET

Form used*	1970	1969	1968	1965
A: Assets equal liabilities plus stockholders' equity	570	567	562	530
B: Working capital plus other assets less other liabilities, equals stockholders' equity	26	27	30	62
C: Other	4	6	8	8
Total	600	600	600	600

*Refer to Company Appendix Section—A: 20, 235, 386, 495, 602; B: 51, 116, 238, 315, 575; C: 335, 489, 518, 553.

Cash, Including Certificates of Deposit or Time Deposits

THE FIRESTONE TIRE & RUBBER COMPANY
Current Assets:
Cash, Including Time Deposits for Foreign Projects: 1970—$57,385,418 and 1969—$60,516,164 ..... $109,156,543

INSILCO CORPORATION
Current Assets:
Cash, including $30,750,000 of interest-bearing time deposits, of which $25,000,000 is withdrawable on five days' notice $31,445,000

KELLOGG COMPANY
Current Assets:
Cash, including certificates of deposit of $36,700,000 in 1970 ..... $42,030,548

Cash and Marketable Securities

AMERICAN BAKERIES COMPANY
Current Assets:
Cash and short-term notes $10,502,329

AMERICAN SUGAR COMPANY
Current Assets:
Cash and marketable securities, at cost $7,570,000

ASHLAND OIL, INC.
Current Assets:
Cash and short-term securities $65,923,000

TABLE 2-3: CASH—TITLE

Balance Sheet Description*	1970	1969	1968
A: Cash	482	497	494
B: Cash, including certificates of deposit (or time deposits)	46	36	54
C: Cash and marketable securities (or U.S. Government securities, notes, etc.)	64	52	43
Cash in banks and on hand, cash on hand and demand deposits, etc.	8	15	9
Total	600	600	600

*Refer to Company Appendix Section—A: 101,303, 497, 659; B: 183, 333, 420, 564; C: 11, 129, 288, 577.

GAF CORPORATION
Current Assets:
Cash and marketable securities (securities at cost which approximates quoted market value) $13,997,022

Time Deposits and/or Certificates of Deposit Separately

BRIGGS & STRATTON CORPORATION
Current Assets:
Cash $3,829,314
Certificates of Deposit, Including Accrued Interest 5,049,403

HARSCO CORPORATION
Current Assets:
Cash:
Demand deposits $8,392,000
Time deposits 10,279,000

SEARS INDUSTRIES INC.
Current Assets:
Cash $1,517,785
Bank certificates of deposit 450,000

MARKETABLE SECURITIES IN CURRENT ASSETS

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....

Table 2-4 describes both the various valuation bases at which marketable securities are shown in the balance sheet and the extent to which supplemental market information is disclosed. Examples illustrating information presented for marketable securities follow.

At Cost— Approximates Market

AMERICAN HOSPITAL SUPPLY CORPORATION
Current Assets:
Marketable securities, at cost (approximates market) $14,074,089

TABLE 2-4: MARKETABLE SECURITIES

Basis of Valuation	1970	1969	1968
Cost	225	250	258
Cost plus accrued interest	41	45	42
Lower of cost or market	14	13	14
Amortized cost	9	11	8
Market value or approximate market value	6	6	5
Other	3	5	3
	298	330	330
Basis of valuation not set forth	83	68	59
Total presentations	381	398	389
Reference to Market			
Approximate market	211	227	229
Market value stated (above and below cost)	30	30	28
No reference to market	140	141	132
Total	381	398	389
Number of Companies Presenting			
Marketable securities in current assets	376	393	383
No marketable securities in current assets	224	207	217
Total	600	600	600

AMPCO-PITTSBURGH CORPORATION

Current Assets:

Short-term commercial notes, at cost which approximates market $5,000,000

THE ANACONDA COMPANY

Current Assets:

Short-term investments, at cost which approximates market $477,000

CHOCK FULL O'NUTS CORPORATION

Current Assets:

Cash $2,521,296

New York State and City Bonds, at cost (approximate market) 4,842,487

Cash and New York State and City Bonds $7,363,783

CONSOLIDATED FOODS CORPORATION

Current Assets:

Commercial paper, time deposits and other temporary investments, at cost which approximates market $7,933,449

GAF CORPORATION

Current Assets:

Cash and marketable securities (securities at cost which approximates quoted market value) $13,997,022

THE PROCTER & GAMBLE COMPANY

Current Assets:

U. S. Government and other marketable securities at cost (approximately market):

Securities held to cover federal taxes on income $37,731,000

Other securities 278,751,000

At Cost—Market Value Stated

BATES MANUFACTURING COMPANY, INCORPORATED

Current Assets:

Short-term investments, at cost (market, $181,725) $199,438

CARNATION COMPANY

Current Assets:

Short term commercial obligations, at cost (approximately market) $42,890,361

Other marketable securities, at cost (quoted market value $13,950,000) 5,453,744

HARSCO CORPORATION

Current Assets:

Marketable securities, at cost (quoted market value, $4,735,000) $4,111,000

TIME INCORPORATED

Current Assets:

Marketable securities—at cost:

U.S. Government and other short-term securities (approximately market) . $11,935,000

Preferred and common stocks—quoted market prices $26,700,000 27,293,000

UNITED STATES SMELTING REFINING AND MINING COMPANY

Current Assets:

Marketable securities, at cost (market value, December 31, 1970, $1,814,000) .. $2,137,183

Cost Plus Accrued Interest

AVON PRODUCTS, INC.

Current Assets:

Short-term investments $90,094,000

Notes to Financial Statements

Investments—Short-term investments are stated at cost plus accrued interest, which approximates market value.

AMERICAN MOTORS CORPORATION

Current Assets: (Dollars in Thousands)

Marketable securities—at cost and accrued interest (approximately market) ... $11,427

BROWN & SHARPE MANUFACTURING COMPANY

Current Assets:

Marketable securities, at cost and accrued interest, equivalent to market	$545,000

WINN-DIXIE STORES, INC.

Current Assets:

Marketable securities and other investments, at cost plus accrued interest less allowance for decline in market value of $1,850,000 (market value, $8,648,022)	$9,040,842

Lower of Cost or Market

GENERAL ELECTRIC COMPANY

Assets:

Marketable securities	$14,997,000

1970 Financial Summary

Cash and marketable securities totaled $205.8 million at the end of 1970, a decrease of $123.5 million during the year. Marketable securities are carried at the lower of amortized cost or market value. Carrying value was substantially the same as market value.

PPG INDUSTRIES, INC.

Current Assets:

United States Government and other marketable securities—at lower of cost or market	$242,000
(Quoted market value: $258,000)	

Amortized Cost

MOBIL OIL CORPORATION

Current Assets:

Marketable securities, at amortized cost (approximating market)	$850,634,000

Market or Approximate Market

BUCKBEE-MEARS COMPANY

Current Assets:

Marketable securities, approximates market	$791,055

THE PANTASOTE COMPANY

Current Assets:

Marketable securities at market value which approximates cost	$162,975

THE SIGNAL COMPANIES, INC.

Current Assets

Securities	$41,694,000

Notes to Financial Statements

Note 3: Securities — Securities, $41,694,000 included in current assets at December 31, 1970, represent investments in common and preferred stocks of various companies. These investments, with an original cost of $76,676,000 were written down to approximate market value at December 31, 1970 by a charge to income in the amount of $34,982,000 (before a related tax benefit of $9,795,000) since Signal intends to dispose of these investments in the near future. At December 31, 1969, the investments were carried at cost as noncurrent investments.

RECEIVABLES

Balance sheet captions used in the current asset section to describe trade receivables are summarized in Table 2-5. In addition to trade receivables, other types of receivables were shown as current assets. Such receivables are summarized in Table 2-6.

Examples illustrating the various types of receivables follow. Examples of the presentation of amounts due from the government or government agencies are presented in connection with Table 1-24.

Tax Refunds

CONTROL DATA CORPORATION

Current Assets:

Receivables:	
Trade accounts, less allowance of $3,496,375 in 1970 and $1,637,435 in 1969	$ 91,503,959
Unbilled receivables and accrued costs and estimated earnings on contracts in process	23,972,044
Current portion of long-term contracts receivable	25,380,078
Recoverable income taxes (note 5)	20,863,610
Other	13,317,749
Total receivables	$175,037,440

Note 5 (in part): Income Taxes — The Company and Commercial Credit Company and their eligible subsidiaries file a consolidated federal income tax return. The amount of "Recoverable Income Taxes" shown in the accompanying consolidated balance sheet includes $11,484,897 collectable from Commercial Credit Company and certain of its subsidiaries for the benefit of the Company's tax loss to be utilitized in the consolidated tax return. The balance of this amount represents amounts estimated to be refundable from the federal government.

TABLE 2-5: RECEIVABLES—CURRENT

Principal Balance Sheet Caption*	1970	1969	1968
A: Accounts receivable	186	192	196
B: Receivables	173	182	169
C: Accounts and notes receivable	159	157	156
D: Trade accounts receivable	57	46	55
E: Other	25	23	24
Total	600	600	600

*Refer to Company Appendix Section—A: 1, 21, 67, 355, 500, 554; B: 249, 419, 420, 427, 650, 722; C: 70, 92, 274, 306, 623, 637; D: 91, 378, 438, 718, 726; E: 15, 18, 105, 372, 586, 667.

LOEW'S THEATRES, INC.

Current Assets:

Accounts receivable, less allowance for doubtful accounts and cash discounts, 1970, $3,927,472; 1969, $3,640,121	$39,778,754
United States income tax refund claims	10,998,871

IOWA BEEF PROCESSORS, INC.

Current Assets:

Accounts receivable, less allowance for doubtful accounts of $200,000 at October 31, 1970	$47,289,000
Refundable income taxes (Note G)	1,639,000

Note G: Income Taxes — Income taxes comprise the following:

	Year (52 weeks) ended October 31 1970	November 1 1969
Currently payable (refundable)	$(1,282,000)	$2,881,000
Deferred	1,454,000	711,000
Investment tax credits	(357,000)	(243,000)
	$(185,000)	$3,349,000

The Company has elected, when permissible, to compute depreciation on an accelerated method for income tax purposes, whereas depreciation has been computed on the straight-line method for reporting purposes. In addition, for income tax purposes, the Company has elected to deduct interest on plant expansion funds during the construction period, whereas this interest has been capitalized for reporting purposes. Because of the additional depreciation and interest deductions, an operating loss was incurred by the Company for tax purposes for the year ended October 31, 1970. The operating loss and investment tax credits were carried back for tax purposes, resulting in refundable income taxes of $1,639,000. Deferred income taxes have been provided for the additional depreciation and interest deducted for tax purposes.

When the expansion of the breaking facilities at Dakota City, Nebraska, becomes operational, additional amounts of investment tax credits of approximately $400,000 will become available to offset future income taxes payable or as a carryback against prior taxes paid. Legislation has been enacted to eliminate investment tax credits on investment in plant and equipment acquired or contracted for after April 18, 1969.

KEYSTONE CONSOLIDATED INDUSTRIES, INC.

Current Assets:

Notes and accounts receivable, net of allowance for discounts and doubtful accounts of $477,400 in 1970 and $420,800 in 1969	$27,528,762
Refundable income taxes (Note E)	977,701

Note E (in part): Refundable income taxes consist of refundable payments on taxes for 1970 and claims for refund of payments made in prior years, such claims arising principally from the carryback of investment tax credit.

TABLE 2-6: OTHER RECEIVABLES

Other Receivables— Type*	1970	1969	1968
A: Tax claims receivable	62	44	37
B: Due from government or government agency	23	25	32
C: Due from subsidiaries or affiliates	21	23	27
D: Installments (notes and/or accounts)	37	22	22
E: "Other," "miscellaneous," "sundry," etc.	109	104	103
F: Other – identified	58	53	39
Total	310	271	260

*Refer to Company Appendix Section—A: 154, 242, 379, 641, 651, 690; B: 71, 276, 334, 701; C: 85, 131, 476, 550; D: 16, 33, 395, 452, 675; E: 19, 58, 142, 186, 286, 710; F: 9, 160, 332, 408, 562.

MIDAS-INTERNATIONAL CORPORATION

Current Assets:

Notes and Accounts Receivable (including installments due after one year of $584,013 (1970), and $1,266,371 (1969)), Less Allowance for Doubtful Accounts of $374,242 (1970) and $261,002 (1969)	$8,194,730
Federal Income Taxes Refundable (Note 2)	613,681

Note 2 (in part): Federal Income Taxes— Refundable Federal income taxes include deposits on declarations made in 1970 in excess of tax liabilities, and carryback claims to prior years. The company and its subsidiaries file separate Federal income tax returns.

Installment Notes and/or Accounts

BEECH AIRCRAFT CORPORATION

Current Assets:

Trade notes and accounts receivable:	
Installment receivables, less allowances for losses and unearned finance charges – Note A	$20,983,047
United States Government and prime contractors	5,124,522
Other, less allowances of $179,815 in 1970, and $109,015 in 1969	2,015,079
	$28,122,648

Note A: Installment Receivables – The following is a summary of the year-end balances:

	1970	1969
Installment receivables	$24,041,418	$25,501,288
Less:		
Allowance for losses	522,990	545,340
Unearned finance charges	2,535,381	2,465,515
	3,058,371	3,010,855
	$20,983,047	$22,490,433

Installments not due within one year aggregated $5,266,235 in 1970, and $6,124,640 in 1969.

FRUEHAUF CORPORATION

Current Assets:

Trade receivables (Note B):	
Installment contracts	$46,941,015
Accounts receivable	87,213,112
	$134,154,127
Less allowance for doubtful receivables	1,750,000
	$132,404,127

Note B: Trade Receivables – Installment contracts at December 31, 1970, are stated after deduction of deferred finance charges of $5,390,000 and include installments of approximately $27,925,000 which are due after one year.

Other Receivables – Identified

THE AMERICAN SHIP BUILDING COMPANY

Current Assets:

Receivables, less allowance for doubtful accounts of $333,912 in 1970 and $40,912 in 1969	$10,623,357
Claims receivable (Note 2)	3,269,851

Note 2: Claims Receivable – The Company has incurred $3,269,851 in costs (after providing certain reserves) over and above the original contract prices on two long-term ship building contracts obtained in 1965 and 1966 by previous management, and completed in 1970. Management has filed certain claims and is in the process of filing additional claims for the recovery of these costs; management feels that the Company is entitled to recoveries of substantially all of these additional costs.

CELANESE CORPORATION

Current Assets:

	(in millions)
Receivables, less allowance for doubtful accounts ($6.4 million in 1970 and $7.4 million in 1969)	$172.5
Current receivables from sale of petroleum operations	90.8

Notes to Consolidated Financial Statements

Investments and Advances (in part): The sale on January 5, 1970, of Champlin Petroleum Company and Pontiac Refining Corp. (petroleum operations), was effective as of December 31, 1969, and was reflected in the 1969 financial statements. During 1969, petroleum operations contributed $12.3 million to income before extraordinary items after giving effect to allocated financing and administrative costs but before deduction of allocated preferred dividends. Cash proceeds of $120 million received on January 5, 1970, were included in marketable securities at December 31, 1969. Additional proceeds of $120 million, due in three equal annual installments beginning January 4, 1971, were included in investments and advances at December 31, 1969. The first and second installments of $80 million and accrued interest of $10.8 million which were paid on January 4, 1971, have been shown separately at December 31, 1970. The proceeds were subsequently invested in marketable securities.

GENERAL CIGAR CO., INC.

Current Assets:

Receivables	(in thousands)
Trade accounts, less allowance of $466 (1969 – $378)	$19,028
Due from security dealers and others	1,878
	$20,906

UNITED BRANDS COMPANY

Current Assets:

	(in thousands)
Due from banks on January 4, 1971 (Note 3)	$30,000
Trade receivables, less allowance for doubtful accounts of $2,044 (1969—$1,760)	69,964
Other receivables	18,221

Note 3 (in part): Long-Term Debt — Long-term debt comprises the following:

	1970	1969
	(in thousands)	
Eurodollar loans payable to banks of $30,000,000 received by the Company on January 4, 1971, at ¾% to 1% over inter-bank rates, maturing in 1975 and $15,000,000 at interest rates from 8-11/16% to 10-5/16%, maturing in 1973	$45,000	

WINNEBAGO INDUSTRIES, INC.

Current Assets:

Trade receivables, less allowance for doubtful accounts 1970 $21,646; 1969 $21,200	$3,449,670
Interest receivable	5,852

RECEIVABLES USED FOR FINANCING

The reports of 88 survey companies disclosed 99 references as to receivable financing. Table 2-7 summarizes the manner in which receivables were used as a financing instrument. Examples illustrating disclosures of receivable financing follow.

TABLE 2-7: RECEIVABLES USED FOR FINANCING

Number of Presentations	1970	1969	1968
Sold — with contingent liability	62	51	36
Sold — without recourse	11	4	5
Used as collateral	26	28	31
Other	—	4	4
Total	99	87	76
Number of Companies			
Using receivables for financing	88	75	68
Not referring to use of receivables for financing	512	525	532
Total	600	600	600

Receivables Sold With Contingent Liability

ASSOCIATED DRY GOODS CORPORATION

Current Assets:

Accounts receivable—see page 18 .... $119,304,000

Accounts Receivable (page 18)

	January 30, 1971	January 31, 1970
Due from customers:		
Regular accounts	$32,325,000	$38,062,000
Less net amount sold to Associated Dry Goods Credit Corporation	26,280,000	37,342,000
Net regular accounts	$6,045,000	$720,000
Deferred payment accounts	111,174,000	103,925,000
	117,219,000	104,645,000
Less allowance for doubtful accounts	6,404,000	6,273,000
	110,815,000	98,372,000
Other accounts receivable	8,489,000	9,290,000
	$119,304,000	$107,662,000

Notes to Consolidated Financial Statements

Note B (in part): Associated Dry Goods Credit Corporation (wholly-owned) was formed in July 1969 to provide financing of certain accounts receivable of the Corporation. The Corporation has agreed to reimburse the credit subsidiary for all losses it incurs in the collection of the accounts.

BORG-WARNER CORPORATION

Current Assets:

	(thousands of dollars)
Receivables, less provision for possible losses of $7.1 million in 1970, $5.0 million in 1969 (page 8)	$176,323

Page 8—In 1970, Borg-Warner Corporation sold a note receivable from Fedders Corporation having an unpaid balance of $12.7 million, with recourse, to Borg-Warner Acceptance Corporation, and also entered into a continuing agreement with the subsidiary to finance the accounts receivable of the York division. These accounts receivable amounted to $37.3 million at the year end.

CITY STORES COMPANY

Current Assets:

Accounts receivable—Note B $38,295,368

Note B: Accounts Receivable—The accounts receivable are summarized as follows:

	This Year	Last Year
Accounts receivable:		
Customers—net of reserve of $2,445,980 and $2,163,929, respectively	$77,993,659	$79,792,898
Current portion of notes receivable	1,519,579	–
Federal income taxes	1,376,968	–
Other—net of reserves of $103,317 and $105.818, respectively	2.832,557	2,973,484
	83,722,763	82,766,382
Less:		
Customers accounts receivable assigned to City Stores Credit Corporation—net of equity of $5,049,048 and $4,406,292, respectively	45,441,436	39,656,627
City Stores Company and Retail Subsidiaries	38,281,327	43,109,755
Real Estate Subsidiaries—other receivables	14,041	156,361
City Stores Company and consolidated subsidiaries	$38,295,368	$43,266,116

Accounts receivable from customers include installment accounts of approximately $74,000,000 and $72,700,000, respectively. Installments maturing more than one year have been included in current assets in accordance with trade practice; it is not practicable to determine the amount of such installments.

The Company has an agreement with City Stores Credit Corporation under which customers accounts receivable are assigned to the credit company and the credit company remits amounts equal to 90% of the accounts assigned, withholding 10% of the uncollected balances representing the Company's equity. Under the agreement, the Company accepts reassignment of any accounts in default (as defined) as long as it continues to assign accounts.

Receivables Sold Without Recourse

LA MAUR, INC.

Current Assets:

Receivables—less allowance (1970—$164,477; 1969—$154,399) (Note B) $3,058,914

Note B: Accounts receivable—As of December 31, 1970, the Company sold to a bank, without recourse, all of its installment accounts receivable having a total balance of $1,076,559. The sale was made in connection with the Company's intention to adopt, for income tax purposes only, the installment method of accounting for income from installment sales beginning with the year 1971.

J.C. PENNEY COMPANY, INC.

Current Assets:

Receivables, net $73,398,628

1970 Review of Operations and Financial Information

Page 24: Receivables increased in 1970 as follows:

	January 30 1971	January 31 1970
	(In millions)	
Customer receivables	$5.6	$4.5
Due from J.C. Penney Financial Corporation (5% withholding against receivables sold)	39.9	35.5
Other receivables	44.0	39.7
	89.5	79.7
Less allowance for doubtful accounts	16.1	14.3
Receivables, net	$73.4	$65.4

Page 22: In 1970 J.C. Penney Financial Corporation purchased $1.6 billion of customer receivables. from Penney, up from $1.5 billion in 1969.

Substantially all of Penney's customer receivables are sold, without recourse, to its wholly owned subsidiary, J.C. Penney Financial Corporation. Financial withholds, as a reserve, an amount equal to five per cent of the receivables so acquired. In addition, it charges a discount which is calculated to produce earnings that cover fixed charges, chiefly interest on borrowings, at least one and one-half times.

WYANDOTTE INDUSTRIES CORPORATION

Current Assets:

Accounts and other receivables, including amounts due from factor of $494,158 (note 8), less allowance of $185,257 for doubtful accounts ($183,992 in 1969) $2,249,759

Note 8: Amounts Due from Factor—On December 1, 1969, the Company entered into a factoring agreement with a commercial factor whereby the Company and its subsidiaries assign a majority of their trade accounts receivable to the factor without recourse. The factoring agreement provides for advances from the factor to the extent of the receivables assigned prior to their due date.

Receivables Used as Collateral

THE PILLSBURY COMPANY

Current Assets:

Receivables, less allowance for doubtful accounts of $950,000 and $976,000, respectively ($1,690,000 of foreign subsidiaries' receivables pledged on notes payable to banks) $72,810,814

TABLE 2-8: UNCOLLECTIBLE ACCOUNTS—TERMINOLOGY

Primary Descriptive Terms	1970	1969	1968	1967	1965	1955
Allowance	389	372	360	342	324	248
Reserve	74	81	88	92	102	181
Provision	17	20	21	21	29	31
Estimated	16	16	17	18	17	27
Other	2	4	5	7	6	11
Subtotal	498	493	491	480	478	498
Accounts receivable (net)	4	8	6	N/C	N/C	N/C
No uncollectible accounts indicated	98	99	103	120	122	102
Total	600	600	600	600	600	600
Combined with						
Doubtful	269	260	254	241	245	245
Losses	48	50	55	62	64	71
Other phrases	21	18	15	22	17	23
Used alone	160	165	167	155	152	159
Subtotal	498	493	491	480	478	498
Unearned interest, discount, etc.	54*	57*	49*	N/C	N/C	N/C
Returns and/or allowances	21*	17*	14*	N/C	N/C	N/C
Total	573	567	554			

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

1970 Descriptive Terms Combined:	Total	Allow.	Res.	Prov.	Estim.	Other
Doubtful	269	235	15	10	8	1
Losses	48	38	1	6	2	1
Other phrases	21	12	2	1	6	—
Used alone	160	104	56	—	—	—
Subtotal	498	389	74	17	16	2
Unearned discount, finance charges, etc.	54	37	6	—	2	9
Returns and/or allowances	21	11	2	4	3	1
Total	573	437	82	21	21	12

U.S. INDUSTRIES, INC.

Current Assets:	*(Thousands)*
Trade receivables, less allowances (1970—$8,674,000; 1969—$6,576,000)—Note G	$184,625

Note G (in part): Commitments and Contingencies—At December 31, 1970, the Company was guarantor of $11.8 million of indebtedness of unconsolidated finance subsidiaries, and wholly-owned consolidated subsidiaries were contingently liable for up to $10.9 million in respect of notes receivable discounted and conditional sales contracts. In addition, the Company's 80% owned subsidiary, Health Industries, Inc., had contingent obligations of $20.4 million relating to contracts receivable discounted.

At December 31, 1970, approximately $10 million of loans were collateralized by pledges of inventories and receivables.

TERMINOLOGY FOR "UNCOLLECTIBLE ACCOUNTS"

Table 2-8 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 1970 and the frequency of their use.

Use of the term *reserve* to describe uncollectible accounts continues to decline. The trend is in accord with a recommendation expressed by the committee on terminology of the American Institute of Certified Public Accountants that use of the term *reserve* in the financial statements to describe uncollectible accounts be avoided. As to the balance sheet presentation of allowances for uncollectible accounts *Opinion No. 12* states that such allowances should be deducted from the related receivables and appropriately disclosed.

TABLE 2-9: INVENTORY — TERMINOLOGY

	1970	1969
Finished Goods or Products		
Used alone	214	203
Combined	99	102
Name of product (used alone)	47	62
Name of product (combined)	15	12
Total	375	379
Merchandise (alone or combined)	17	22
Work in Process		
Used alone	159	152
Combined	113	110
Other terms	49	66
Total	321	328
Raw materials		
Used alone	99	89
Combined with supplies and/or parts	175	173
Combined—other	43	41
Other terms	58	64
Total	375	367
Supplies		
Used alone	58	49
Combined	94	90
Other terms	26	34
Total	178	173
Number of Companies		
Presenting details of inventory	389	377
Not presenting details of inventory	211	223
Total	600	600

INVENTORY

Inventories were presented in varying detail in the annual reports of 598 companies; two companies disclosed no inventory. Of the 598 companies presenting inventories, 209 did not show any inventory detail. Table 2-9 presents the inventory descriptions most often used.

PRICING BASIS

Chapter 4 of *Accounting Research Bulletin 43* states that "the primary basis of accounting for inventories 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...." Chapter 4 stipulates also that the basis of inventories should be disclosed in financial statements. As shown in Table 2-10, *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.

METHODS OF "COST" DETERMINATION

Table 2-11 summarizes the methods of cost determination as reported by the survey companies. First-in-first-out (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.

Table 2-12 shows the extent of the use of the LIFO method. Of the 146 companies using LIFO as a method for determining the cost of inventories, nine use LIFO for all inventories, 59 use LIFO for a major portion of inventories (more than 50 percent), 53 use LIFO for less than 50 percent of inventories, and 25 mention the use of LIFO but do not disclose the amount of inventories involved. During 1970, eight companies abandoned the use of LIFO and one company extended the use of LIFO.

Table 2-13 shows the number and percentage of companies using LIFO in each industrial classification; 1969 numbers and percentages are shown for comparison.

Examples illustrating the various methods of determining inventory "cost" follow.

TABLE 2-10: INVENTORY PRICING BASIS

Bases	1970	1969	1968	1967	1966	1965	1955
Lower of cost or market	513	511	511	520	493	491	471
Cost	72	77	76	82	84	89	176
Cost not in excess of market	42	42	38	26	53	49	54
Cost, less than market	29	24	33	29	44	42	20
Cost or less than cost	14	18	20	19	28	29	35
Market, or less than market	24	26	26	14	3	13	30
Various other bases	10	9	4	8	24	15	26
Total	704	707	708	698	729	728	812
Number of companies							
Stating one basis only	503	499	502	523	535		
Stating more than one basis	92	96	94	74	65	599	594
Not stating basis, or no inventories	5	5	4	3	—	1	6
Total	600	600	600	600	600	600	600

TABLE 2-11: METHOD OF DETERMINING INVENTORY COST

Methods	1970	1969	1968	1967	1966	1965	1955
First-in first-out (fifo)	292	276	255	240	231	213	138
Average cost	203	202	196	177	188	176	146
Last-in first-out (lifo)	146	153	168	179	184	191	202
Standard costs	30	30	27	26	28	28	31
Retail method	27	24	21	19	18	17	14
Accumulated or production cost	23	23	19	15	14	11	N/C
Replacement or current cost	16	16	13	13	13	12	4
Specific or "actual" cost	17	24	20	23	13	13	9
Other	11	12	9	12	18	15	33
Total	765	760	728	704	707	676	577
Number of Companies:							
Stating cost method(s) for entire inventory	480	473	447	440	271	264	323
Stating cost method(s) for only part of inventory	31	29	33	10	196	181	103
Omitting cost methods	89	98	120	150	133	155	174
Total companies	600	600	600	600	600	600	600

Average Cost

BELDING HEMINWAY COMPANY, INC.
Current Assets:
Merchandise inventories:

Raw materials and greige goods	$5,256,000
Work in process	3,356,000
Finished goods	11,119,000

Notes to Financial Statements

Note A; Merchandise inventories are stated at the lower of cost or market. Cost has been determined generally on the basis of average cost except for approximately $1,370,000 (1970) and $1,775,000 (1969) which have been determined on the last-in, first-out basis.

HARSCO CORPORATION
Current Assets:

Inventories	$53,113,000

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:

	Dec 31,1970	Dec 31,1969
Classification:		
Finished goods	$16,797,000	$11,922,000
Work in process*	18,632,000	12,285,000
Raw materials and purchased parts	15,308,000	18,001,000
Stores and supplies	2,376,000	2,409,000
	$53,113,000	$44,617,000
Valued at lower of cost or market:		
First-in, first-out basis	24,969,000	20,134,000
Average cost basis	27,821,000	23,161,000
Last-in, first-out basis	323,000	1,322,000
	$53,113,000	$44,617,000

*Includes U.S. Government fixed price contract costs of $3,437,000 and $984,000 as of December 31, 1970 and 1969 after progress payments of $5,652,000 and $210,000, respectively. The U.S. Government has a lien on inventories to the extent of progress payments relating thereto.

TABLE 2-12: USE OF LIFO INVENTORY METHOD

Number of Companies	1970	1969	1968	1967
Applying lifo to all inventory classes	9	8	10	9
Applying lifo to certain inventory classes	137	145	158	170
No mention of application of lifo	454	447	432	421
Total	600	600	600	600

First-in First-out

AMERICAN BILTRITE RUBBER CO., INC.
Current Assets:
Inventories—at the lower of first-in, first-out cost or market:

Finished goods	$21,843,099
Work in process	5,236,122
Raw materials and supplies	7,475,927
	$34,555,148

TABLE 2-13: COMPANIES REFERRING TO LIFO, BY INDUSTRY

Industrial Classification*	Companies Using Lifo 1970		1969	
	Number	Percent**	Number	Percent**
Food:				
Meat products (362)	4	40%	3	33%
Dairy products	—	—	—	—
Canning, etc. (257)	4	67	4	67
Packaged and bulk (513)	2	11	3	18
Baking	—	—	—	—
Sugar, confections, etc. (287, 575)	5	62	5	62
Beverages (145)	4	50	4	50
Tobacco products (470)	1	12	1	12
Textiles, apparel manufacturing, etc. (96,390)	9	32	9	30
Paper products, packaging (329, 588)	9	50	9	47
Printing, publishing	—	—	—	—
Chemicals (306)	3	10	3	10
Drugs, cosmetics, soaps, etc. (84,451)	3	15	3	14
Petroleum (69, 437, 518)	15	62	15	62
Rubber products, etc. (254)	2	17	2	18
Shoes— manufacturing, merchandising, etc. (374)	2	25	2	22
Building:				
Cement (18)	2	29	2	40
Roofing, wallboard (317)	2	22	2	22
Heating, plumbing, air conditioning (39)	1	17	2	33
Other (62)	3	20	3	18
Steel and iron (166, 349, 570)	13	62	16	67
Metal— nonferrous (52, 326)	11	71	8	89
Metal fabricating (104, 725)	6	43	5	36
Machinery, equipment and supplies (122, 169)	9	25	8	22
Electrical equipment, appliances (129)	2	18	—	—
Electrical, electronic equipment (463, 586)	6	16	6	17
Business equipment and supplies (395)	1	8	1	9
Containers (637)	2	25	3	37
Autos and trucks (including parts, accessories) (111)	1	5	3	14
Aircraft and equipment, aerospace	—	—	—	—
Railway equipment, shipbuilding, etc.	—	—	—	—
Controls, instruments, medical equipment, watches and clocks, etc. (32)	2	29	2	33
Merchandising:				
Department stores (68, 357)	8	62	6	50
Mail order stores, variety stores	—	—	—	—
Grocery stores (228)	3	15	3	14
Other	—	—	—	—
Motion pictures, broadcasting	—	—	—	—
Widely diversified, or not otherwise classified (87, 300, 612)	11	14	19	22
Total	146	24	153	25

*Numbers in parentheses refer to Company Appendix Section.

**Percent of total number of companies for each industrial classification included in the survey.

Last-in First-out

GRANITEVILLE COMPANY

Current Assets:

Inventories (Note 2)	
Raw Materials	$ 2,428,394
Stock in Process	1,963,531
Finished Goods	16,583,153
Dyes, Chemicals, etc.	1,160,776
Total inventories	$22,135,854

Note 2: Inventories—Inventory items of raw materials, stock in process and finished goods are principally valued on the LIFO basis with additions computed at first quarter average cost, except for the synthetic fiber content of these inventories, which is valued on the basis of the lower of average cost or market. At January 2, 1971, the carrying value of LIFO inventories was less than market.

Inventories of dyes, chemicals, etc., are valued on the basis of moving-average cost. Certain supplies, repair

parts, maintenance materials and similar items are charged as operating expenses when purchased in accord with the Company's accounting policy, followed on a consistent basis.

RATH PACKING COMPANY

Current Assets:

Inventories (Note 2) $11,570,702

Note 2: Inventories—The composition of inventories and basis of pricing are as follows:

	October 3, 1970	Sept 27, 1969
Pork products, at cost on the basis of "last-in, first-out" (Lifo), which was below current cost by approximately $1,992,000 and $4,602,000, respectively	$5,819,044	$2,661,754
Products other than pork, at approximate current market, less allowance for selling and distribution expenses	3,390,090	3,527,577
Materials and supplies, at the lower of cost ("first-in, first-out" basis) or market	2,361,568	2,621,939
	$11,570,702	$8,811,270

Pork product inventories were intentionally reduced at December 27, 1969, the end of the Company's tax year (see Note 3), from levels prevailing at the beginning of the 1970 fiscal year. This liquidation of Lifo inventory quantities (which had been reflected in the financial statements at the substantially lower cost levels of certain earlier years) resulted in a nonrecurring increase in net income for the year ended October 3, 1970 of approximately $1,360,000, or $1.36 per share of common stock (increase in income before extraordinary credit of $680,000, or $0.68 per share).

A similar reduction of Lifo inventory quantities at the end of the 1969 fiscal year from levels prevailing at the beginning of that year resulted in a nonrecurring increase in net income for the year ended September 27, 1969 of approximately $485,000, or $0.48 per share of common stock.

Standard Cost

EMHART CORPORATION

Current Assets:

Inventories $65,123,000

Notes to Financial Statements

Inventories (in part)—Inventories stated principally at the lower of current standard cost, which approximates actual cost (principally on first-in, first-out basis), or at market are as follows:

	1970	1969
Finished goods	$26,275,000	$23,381,000
Work-in-process	28,169,000	28,650,000
Raw materials	9,225,000	9,460,000
Supplies	1,454,000	1,414,000
Discontinued operations		5,783,000
Total	$65,123,000	$68,688,000

HON INDUSTRIES INC.

Current Assets:

Inventories (Note 2) $3,817,990

Note 2: Inventories—The inventories of the Company and its subsidiary, priced at the lower of cost (standards which approximate actual cost on a first-in, first-out basis) or market are summarized as follows:

	January 2, 1971	January 3, 1970
Finished goods	$1,532,072	$1,140,362
Work-in process and production material	2,285,918	2,468,599
	$3,817,990	$3,608,961

Retail Method

CITY STORES COMPANY

Current Assets:

Merchandise Inventories—Note C $49,519,181

Note C: Merchandise Inventories (determined principally under retail method)—Merchandise inventories, as summarized below, are priced principally at LIFO cost and partly at the lower of cost or market. The inventories priced at LIFO cost would be approximately $7,600,000 more this year and $7,200,000 more last year if they had been priced at the lower of cost or market.

	This Year	Last Year
At LIFO cost	$29,909,225	$29,577,176
At lower of cost or market	20,290,540	18,554,871
	50,199,765	48,132,047
Less allowance for discounts applicable to LIFO inventories	680,584	723,822
	$49,519,181	$47,408,225
Amounts of opening and closing inventories (before discounts applicable to inventories priced at LIFO cost) used in the computation of cost of goods sold were as follows:		
Opening inventories	$48,132,047	$47,913,230
Closing inventories	$50,199,765	$48,132,047

Replacement or Current Cost

SCOTT PAPER COMPANY

Current Assets:

	(Thousands of dollars)
Inventories, at lower of cost (principally latest production or purchase cost) or market	
Finished products	$53,837
Work in process	17,705
Pulp, logs and pulpwood	29,762
Other materials and supplies	31,616

TABLE 2-14: METHOD OF DETERMINING INVENTORY "MARKET"

Methods:	1970	1969	1968	1967
Market based on replacement concept	35	38	36	36
Market based on realization concept	41	42	37	32
Hedging procedure	5	7	7	7
Other	2	1	1	2
Total references	83	88	81	77
Number of Companies				
Indicating method of determining market	62	73	65	70
Not indicating method of determining market	498	505	510	477
No reference to market in inventory pricing data	40	22	25	53
Total	600	600	600	600

DETERMINATION OF "MARKET"

Table 2-14 shows that 62 companies defined *market* when discussing inventory valuation. Examples of terms used to describe or amplify *market* follow.

Market Based on Replacement Concept

EMERSON ELECTRIC CO.

Current Assets:	*(Thousands of dollars)*
Inventories, at the lower of cost (principally first-in, first-out) or replacement market:	
Finished products	$47,713
Raw materials and work in process	97,708
Total inventories	$145,421

INTERNATIONAL MULTIFOODS CORPORATION

Current Assets:	
Inventories (note 2):	
Grain	$29,767,698
Flour, flour products, millfeeds, etc	10,571,053
Meats, pickles, formula feeds, poultry, etc.	15,969,253
Packages and miscellaneous	2,311,875
Total inventories	$58,619,879

Note 2: 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.

RAYBESTOS-MANHATTAN, INC.

Current Assets:

Inventories (Note B) $31,165,736

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:

	1970	1969
Raw materials and supplies	$6,912,415	$7,174,274
Work in process	7,426,007	8,205,962
Finished goods	16,827,314	13,809,590
	$31,165,736	$29,189,826

Market Based on Realization Concept

LYKES-YOUNGSTOWN CORPORATION

Current Assets:

Inventories (Note 5) $178,305,000

Note 5 (in part): Cost of Products Sold—The inventories are stated at cost (largely lifo) or market, whichever is lower (market in general is based on realizable values) in the balance sheet as follows:

	December 31, 1970	1969
Raw materials and supplies	$52,537,000	$46,959,000
Products in process	48,706,000	44,801,000
Finished products	77,062,000	78,281,000
	$178,305,000	$170,041,000

Hedging Procedure

SEABOARD ALLIED MILLING CORPORATION

Current Assets:

Inventories (note 3) $12,690,325

Note 3: Inventories—The milling, grain and elevator divisions hedge their unfilled flour and grain contracts and grain inventories whenever adequate hedging facilities exist as a means of minimizing the risk of adverse price fluctuations. The grain, flour and feed inventories of these divisions, amounting to $11,593,600 at May 30, 1970 are valued at market after adjustment of open purchases and sales contracts to market. The remaining inventories are valued at the lower of cost (first-in, first-out) or replacement market.

INVENTORY RESERVES

Table 2-15 summarizes the nature of inventory reserves disclosed by the survey companies. Chapter 6 of *Accounting Research Bulletin No. 43* and *Opinion No. 12— Omnibus Opinion— 1967* discuss the subject of reserves.

TABLE 2-15: INVENTORY RESERVES

Purpose	1970	1969	1968	1967	1965	1960	1955
Reduction to lifo cost	6	5	8	8	6	3	8
Base stock adjustment	1	1	2	2	3	4	4
Obsolescence	2	1	1	3	6	12	12
Possible future price declines or losses	5	3	2	2	2	8	14
Other	2	1	–	1	3	12	19
Purpose not stated	4	3	3	2	1	5	16
	20	14	16	18	21	44	73
No reference to inventory reserves	580	586	584	582	579	556	527
Total	600	600	600	600	600	600	600

Reduction to LIFO Cost

BELDEN CORPORATION
Current Assets:

Inventories, at lower of cost or market:	
Finished goods	$14,135,434
Work in process	5,263,301
Raw materials	4,625,032

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 $2,945,350 at December 31, 1970, and $2,824,813 at December 31, 1969.

Base Stock Adjustment

NATIONAL LEAD COMPANY
Current Assets:

Inventories (Note 3)	$196,405,000

Note 3: Inventories—Inventories are valued at the lower of cost (principally average cost) or market. Certain metal inventories are valued using the last-in, first-out method, which results in such inventories being stated at less than current replacement cost at December 31, 1970. 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 (amountng to $11,471,000 in 1970 and $10,572,000 in 1969) is maintained based on quantities deemed normal at fixed prices.

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, but more frequently are shown separately or included with inventories. Table 2-16 shows the number of companies presenting unbilled costs. Examples of presentations of unbilled costs are shown below and in connection with Table 1-24.

GENERAL SIGNAL CORPORATION
Current Assets:

Contract work in process, at estimated billing amount	$449,896

HARRIS-INTERTYPE CORPORATION
Current Assets:

Unbilled costs and accrued earnings on fixed price contracts based on percentage of completion accounting (less progress payments of $10,100,000 in 1970 and $18,100,000 in 1969)	$16,408,226

LEAR SIEGLER, INC.
Current Assets:

Costs recoverable under government contracts	$27,291,985
Less progress billings	6,829,463
	$20,462,522

A.C. NIELSEN COMPANY
Current Assets:

Unbilled services and expenditures for clients	$5,949,378

TABLE 2-16: UNBILLED COSTS

Balance Sheet Presentation	1970	1969	1968
Shown as separate caption	24	30	33
Included in inventories	15	22	22
Included with receivables	11	13	9
Companies presenting unbilled costs in balance sheet	50	65	64

WESTINGHOUSE ELECTRIC CORPORATION
Current Assets:
Inventories $931,943,701

Financial Review:

Inventories

Inventories—valued principally on last-in, first-out method	$915,867,948
Recoverable engineering and development costs (Government contracts)	43,077,239
Long term contracts in process	616,577,181
Progress payments to sub-contractors	296,700,832
	1,872,223,200
Less: Progress billing on contracts	940,279,499
Total	$931,943,701

PREPAID EXPENSES

Of the 600 survey companies, 454 presented prepaid items in their 1970 balance sheets. Table 2-17 summarizes the nature of such items. Examples illustrating captions used to describe prepaid items follow.

TABLE 2-17: PREPAID ITEMS

Nature*	1970	1969	1968
A: "Prepaid expenses"	305	315	314
B: "Prepaid expenses and other current assets"	52	46	53
C: Taxes paid in advance	33	36	38
D: Unexpired insurance	14	23	18
E: Prepaid expenses and taxes paid in advance	17	16	17
F: Supplies and prepaid expenses	16	13	13
G: Expenses applicable to future periods	6	7	10
Other captions indicating prepaid expenses	56	45	35
Total	499	501	498
Number of Companies			
Presenting prepaid items	454	444	468
Not presenting prepaid items	146	156	132
Total	600	600	600

*Refer to Company Appendix Section — A: 16, 173, 245, 314, 469, 587; B: 104, 228, 339, 474, 598, 648; C: 78, 115, 255, 300, 434; D: 357, 487, 562, 658; E: 309, 324, 483, 517; F: 68, 87, 140, 226; G: 116, 207, 498.

THE BUDD COMPANY
Current Assets:
Prepaid insurance, taxes, plant rearrangement expenses, etc. $10,266,125

CSC, INC.
Current Assets:
Prepaid expenses and postage $15,309

GIMBEL BROTHERS, INC.
Current Assets:
Prepaid expenses—supplies, insurance, rent, taxes, etc. $6,391,658

HUDSON PULP & PAPER CORP.
Current Assets:
Advances on pulpwood, prepaid expenses, taxes, etc. $598,772

JOHNSON & JOHNSON
Current Assets:
Expenses applicable to future operations $7,953,000

S.S. KRESGE COMPANY
Current Assets:
Operating supplies and prepaid expenses $15,164,000

McCORMICK & COMPANY, INCORPORATED
Current Assets:
Expenses paid in advance $1,446,908

SEARS, ROEBUCK AND CO.
Current Assets:
Prepaid advertising and other charges $62,417,945

OTHER CAPTIONS IN CURRENT ASSETS

In addition to the usual captions of *cash, marketable securities, receivables, inventories* and *prepaid expenses,* 134 companies presented other captions in the current asset section of the balance sheet. The nature of items represented by other captions is summarized in Table 2-18. Examples, except for deferred income taxes, follow. Examples of deferred income taxes are presented in connection with Table 3-18.

TABLE 2-18: OTHER CAPTIONS IN CURRENT ASSETS

Nature	1970	1969
Deferred income tax	52	41
Advances and/or deposits	25	18
Property held for resale	13	10
Other — identified	16	9
"Other current assets"	46	26
Total presentations	152	104
Number of companies		
Presenting other captions	134	96
Not presenting other captions	466	504
Total	600	600

Advances and/or Deposits

CENTRAL SOYA COMPANY, INC.
Current Assets:
Margin deposits on commodity future contracts $8,127,106

NEBRASKA CONSOLIDATED MILLS COMPANY
Current Assets:
Margin Deposits $143,478

OGDEN CORPORATION
Current Assets:
Advances to concession licensors $5,905,000

Property Held for Resale

ALBERTSON'S, INC.
Current Assets:
Property held for resale, at cost (Note C) $4,542,189

Note C—Property Held for Resale—Property held for resale represents land and buildings committed for sale and subsequent leaseback and use by the Company during the next year.

SAFEWAY STORES, INCORPORATED
Current Assets:
Properties for development and sale within one year $17,940,786

Other Captions

KELSEY-HAYES COMPANY
Current Assets:
Special tooling for current production $4,053,264

LIBBY, McNEILL & LIBBY
Current Assets:
Growing crops, at cost $2,734,000

PROPERTY, PLANT, AND EQUIPMENT

Opinion No. 6 states in part:

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 2-19: VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Basis of Valuation	1970	1969	1968	1965	1960
Cost	577	563	554	545	519
Substantially at cost	7	11	15	18	N/C
Other	1	4	5	15	43
Number of Companies					
Disclosing valuation basis	585	578	574	578	562
Not disclosing basis	15	22	26	22	38
Total	600	600	600	600	600

N/C— Not compiled.

Table 2-19 shows that 585 companies disclosed the valuation basis of property.

Opinion No. 12 states in part:

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 2-20 shows that 395 companies presented *land* as a separate caption and that 74 companies presented, in addition to a caption containing the term *land*, a caption for *timberland* or other specific types of land. Table 2-21 shows that 573 companies presented details of their depreciable assets. Of these companies, 535 presented details by type of property. The average number of detail captions used per company was 3.

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. Table 2-22, a summary of the terminology used to describe accumulated depreciation, shows a definite trend away from using the term *reserve*. The first section of Table 2-22 shows the frequency of the primary terms, such as *reserve, accumulated, allowance*, etc., as used in the balance sheets. The second section of the table classifies the various secondary terms used in balance

TABLE 2-20: LAND

Number of Companies Showing: *	1970	1969	1968	1967
A: Land	395	393	388	415
B: Land and land improvements	80	64	68	N/C
C: Land and buildings	40	42	38	44
D: Land and/or specific type of land and/or rights	31	20	N/C	N/C
E: Other, or no land indicated	11	24	35	N/C
	557	543	529	459
F: Included in breakdown by line of business	34	34	36	23
No breakdown of property	9	23	35	118
Total	600	600	600	600
G: Timberlands, mineral lands, etc.	74	67	70	N/C

N/C—Not compiled.

*Refer to Company Appendix Section— A: 95, 259, 439, 601; B: 55, 103, 606; C: 33, 147, 299, 356, 718; D: 166, 308, 433, 480; E: 77, 429, 539; F: 129, 338, 568; G: 13, 256, 312, 589, 660.

sheet descriptions and the frequency of their combination with the primary terms. In addition to accumulated depreciation, eleven companies deducted valuation allowances from the property account. Such allowances were provided for estimated losses in connection with property disposition programs.

Examples of presentations of land and depreciable assets, of accumulated depreciation thereon, and of property valuation losses follow.

Breakdown by Nature of Property

AIR REDUCTION COMPANY, INCORPORATED

Property, Plant and Equipment—Net (Note C)	$311,915,000

Note C: Property, Plant and Equipment—A summary of property, plant and equipment (at cost) at December 31, 1970 and 1969 is as follows:

	1970	1969
Land	$7,885,000	$8,293,000
Buildings and Leasehold Improvements	105,161,000	104,867,000
Machinery and Equipment	372,763,000	406,269,000
Construction in progress	31,173,000	20,543,000
Contract Rights to Production and Distribution	5,250,000	5,250,000
Total	522,232,000	545,222,000
Less Accumulated Allowances for Depreciation, Amortization and Obsolescence	210,317,000	225,493,000
Property, Plant and Equipment—Net	$311,915,000	$319,729,000

Allowances for depreciation and amortization are generally accumulated on a straight-line basis. For the years ended December 31, 1970 and 1969, total depreciation and amortization, including the portion charged to discontinued operations, amounted to $27,867,000 and $27,247,000, respectively.

THE AMERICAN SHIP BUILDING COMPANY

Property, Plant, Equipment and Unexpended Construction Funds, at cost (Note 7)	$38,012,934
Less—Accumulated depreciation	18,081,340
Total Property, Plant, and Equipment	$19,931,594

TABLE 2-21: DEPRECIABLE PROPERTY

Captions Presented*	1970	1969	1968
A: Buildings	295	283	277
B: Buildings and improvements	128	113	104
Buildings combined with land or equipment	91	72	62
C: Buildings—other captions	34	39	40
Subtotal	548	507	483
D: Machinery and/or equipment	420	416	421
E: Machinery and/or equipment combined with other	72	91	N/C
F: Machinery or equipment for rental or lease	31	25	N/C
G: Construction in progress	192	184	177
H: Leasehold improvements	94	81	104
I: Furniture (furniture and fixtures, etc.)	72	66	90
J: Automobiles, marine equipment, etc.	57	53	54
K: Tools, dies, etc.	12	9	N/C
Other captions	110	82	98
Total captions	1608	1514	1427
Number of Companies:			
Presenting above captions	535	502	474
L: Depreciable property breakdown by line of business	38	40	40
Not presenting details of depreciable property	27	58	86
Total	600	600	600

N/C— Not compiled.

*Refer to Company Appendix Section— A: 15, 397, 594; B: 352, 454, 462, 512; C: 266, 356, 480, 570; D: 236, 240, 288, 420; E: 163, 177, 347; F: 6, 74, 115; G: 19, 25, 56, 331; H: 77, 79, 405, 640; I: 59, 375, 648; J: 43, 528, 679; K: 7, 233, 310; L: 165, 400, 434, 685, 707.

Note (7): Property, Plant, Equipment and Unexpended Construction Funds—The following is a summary of cost and accumulated depreciation of fixed assets:

	Cost	Accumulated Depreciation
Land	$1,815,207	$ –
Buildings and improvements	6,087,559	2,846,637
Other manufacturing facilities	12,177,308	4,708,909
Machinery and equipment	12,205,208	7,653,351
Vessels	4,718,238	2,872,443
Unexpended construction funds	1,009,414	–
	$38,012,934	$18,081,340

The unexpended construction funds listed above represent the amounts obtained in connection with the Lorain Port Authority financing, referred to in Note 4, and are to be expended to complete the Lorain Shipyard expansion program which is expected to be completed in the fiscal vear ending September 30, 1971.

For financial reporting purposes, the Company and its subsidiaries provide depreciation by using principally the straight-line method at annual rates based on the estimated service lives of the property.

BURROUGHS CORPORATION

Properties, at Cost less Depreciation	
Land	$8,101,946
Buildings	92,377,802
Machinery and equipment	177,903,400
Tools, dies and fixtures	102,835,549
	381,218,697
Less—Accumulated depreciation	147,116,708
	234,101,989
Rental equipment	557,606,121
Less—Accumulated depreciation	171,933,299
	385,672,822
	$619,774,811

Notes to Financial Statements

Note 8: Depreciation—Depreciation charged to operations amounted to $81,164,444 in 1970 and $63,811,735 in 1969.

In general the Company's policy is to depreciate and amortize property, plant and equipment over the estimated lives of such assets using the straight-line method of depreciation, except for tools, dies and fixtures which are being depreciated by the declining-balance method.

The rates used to depreciate properties, summarized by principal classifications, are:

	Rate per Annum (%)
Buildings	2–5
Machinery and equipment	5–25
Tools, dies and fixtures	10–33⅓
Rental equipment	25

CHRYSLER CORPORATION

Property, Plant and Equipment:	
Land, buildings, machinery and equipment	$2,949,256,417
Less accumulated depreciation	1,593,482,362
	1,355,774,055
Unamortized special tools	447,449,636
Net Property, Plant and Equipment	$1,803,223,691

Notes to Financial Statements.

Property, Plant and Equipment—Property, plant and equipment is carried substantially at cost less accumulated depreciation and amortization. Depreciation is generally provided on an accelerated basis. This has the effect of allocating proportionally greater amounts of cost to operations during the early, most productive

TABLE 2-22: ACCUMULATED DEPRECIATION

Primary Descriptive Terms*	1970	1969	1968	1965	1960
A: Accumulated, etc.	473	452	435	378	266
B: Allowance, etc.	68	79	86	105	129
C: Reserve	26	31	39	67	118
D: Depreciation, etc., used alone, or other	33	38	40	50	87
Total	600	600	600	600	600
Property valuation allowances	11	7	8	18	24

*1970 Term Used With	Total	A	B	C	D
Depreciation	350	289	37	12	12
Depreciation and amortization	164	126	20	8	10
Depreciation and depletion	33	26	4	1	2
Depreciation, depletion and amortization	40	26	6	2	6
Other	13	6	1	3	3
Total	600	473	68	26	33

years of the asset's life. Amortization of the cost of special tooling is provided on a basis designed to allocate the costs to operations during the years in which the tools are used in the productive process. A summary, by major classifications, of property, plant and equipment follows:

	December 31	
	1970	1969
Land	$138,814,257	$138,281,483
Buildings	1,041,952,887	982,433,565
Machinery	1,539,882,950	1,453,991,398
Furniture	54,469,556	49,668,456
Construction in process	166,539,842	195,651,818
Other	7,596,925	5,596,925
	2,949,256,417	2,825,623,645
Less accumulated depreciation	1,593,482,362	1,451,750,556
	1,355,774,055	1,373,873,089
Unamortized special tools	447,449,636	379,153,112
Net Property, Plant and Equipment	$1,803,223,691	$1,753,026,201

COLONIAL SAND & STONE CO., INC.

Property, Plant and Equipment, at cost	$72,103,278
Less accumulated depreciation and depletion	43,054,648
	$29,048,630

Notes to Financial Statements

Note 1: Property, Plant and Equipment; Depreciation —The major classes of property, plant and equipment comprised the following:

	December 31	
	1970	1969
Land and rights	$4,627,650	$4,593,275
Stone and cement plants	18,766,884	17,676,545
Delivery equipment	19,035,218	18,929,367
Scows, barges and tugboats	14,784,538	13,775,689
Machinery, equipment, buildings, etc.	14,034,894	13,009,162
Construction in progress	854,094	1,367,882
Totals	$72,103,278	$69,351,920

Depreciation provisions, for accounting and income tax purposes, are computed generally by the double declining balance method for new assets acquired and placed into service.

GENESCO INC.

Plant, equipment and lease rights $152,152,000

Financial Review (page 28)

Plant, equipment and lease rights at cost are as follows:

	1970	1969
Land	$2,234,000	$2,448,000
Buildings and building equipment	13,775,000	17,969,000
Machinery and equipment	67,794,000	62,806,000
Furniture and fixtures	62,347,000	60,138,000
Construction in process	5,667,000	2,889,000
Improvements to leased property	54,198,000	48,687,000
	206,015,000	194,937,000
Less accumulated depreciation and amortization	108,571,000	104,154,000
Net plant and equipment	97,444,000	90,783,000
Lease rights	54,708,000	40,653,000
	$152,152,000	$131,436,000

Depreciation and amortization expense applicable to plant and equipment in 1970 amounted to $11,901,000 provided generally on the straight-line method based on the estimated life of each class of assets.

Lease rights include property costs which have been capitalized and are being amortized over the estimated useful life of the related asset. The discounted aggregate rentals (including $4,286,000 payable in 1971) are shown in the balance sheet as lease obligations.

HOMASOTE COMPANY

Fixed Assets—note 4

Property, plant and equipment	$10,490,660
Less, accumulated depreciation	5,891,813
	$ 4,598,847

Note 4: Fixed Assets—The practice of the Company is to capitalize as additions to plant assets, expenditures for plant additions and improvements. Expenditures for maintenance and repairs are charged to operating expense. Fixed assets are carried at cost, with records maintained for plant assets. Adjustments of the assets and the related depreciation reserve accounts are made for major items of property retirements and disposals, with resulting gain or loss carried to profit and loss.

Provision for depreciation is computed by various methods. Capital additions to plant assets, plant additions and improvements purchased to and including December 31, 1953 are depreciated by the straight-line method, purchases after January 1, 1954, by the sum of the years-digit method; some machinery and office equipment by the straight-line method, and automotive equipment by the declining balance method. The balances at December 31, 1970 are as follows:

	Cost	Accumulated Depreciation	Book Value
Land	$86,294	$ –	$86,294
Buildings and additions	2,018,605	951,259	1,067,346
Machinery	7,799,725	4,577,862	3,221,863
Office equipment	184,302	142,996	41,306
Automomotive equipment	401,734	219,696	182,038
Total	$10,490,660	$5,891,813	$4,598,847

THE KENDALL COMPANY

Fixed Assets (Note C)

Land and land improvements	$4,952,000
Buildings and building equipment	32,719,000
Machinery and equipment	96,123,000
Construction in progress	2,868,000
	136,662,000
Less—Depreciation	64,787,000
	71,875,000
Funds held by trustee for construction project	459,000
	$72,334,000

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 $6,953,000 in 1970 and $6,390,000 in 1969.

MERCK & CO., INC.

Property, Plant and Equipment, at cost	
Domestic, less allowance for depreciation, 1970, $175,462,151; 1969, $159,965,169	$163,845,648
Foreign, less allowance for depreciation, 1970, $30,953,693; 1969, $26,999,299	61,891,960
Total property, plant, and equipment, net	$225,737,608

Notes to Financial Statements

The Company's general policy is to provide for depreciation of domestic plant and equipment over the estimated useful lives, principally by use of the sum-of-the-years-digits method; however, plant and equipment of certain domestic subsidiaries is depreciated on the straight-line method. Accelerated methods are used for domestic federal income tax purposes for assets acquired subsequent to 1956 and provision is made for the deferred federal income tax applicable to the excess of tax over financial statement depreciation. Plant and equipment of foreign subsidiaries is generally depreciated by use of the straight-line method. The composition of property, plant, and equipment follows:

	(U.S. Dollars in Thousands)			
	Domestic		Foreign	
	1970	1969	1970	1969
Land	$4,240	$3,334	$8,020	$7,356
Buildings	112,004	96,499	30,616	27,955
Machinery and equipment	188,058	168,424	34,049	29,692
Furniture, fixtures, andoffice equipment	15,896	14,535	8,319	7,356
Improvements to leased property	442	454	908	796
Construction in progress	18,668	13,630	10,934	2,332
	339,308	296,876	92,846	75,487
Less allowance for depreciation	175,462	159,965	30,954	26,999
	$163,846	$136,911	$61,892	$48,488

NEW ENGLAND NUCLEAR CORPORATION

Property, Plant and Equipment, at cost	
Land	$335,739
Buildings	1,992,630
Building improvements	738,067
Laboratory equipment	1,255,696
Other equipment	828,609
Motor vehicles	125,555
Facilities under construction	46,030
Total Cost	5,322,326
Less Accumulated depreciation (Note C)	1,404,371
Property, Plant and Equipment, net	$3,917,955

Note C: Depreciation Policy—The Company and its subsidiaries record depreciation of their properties over their estimated useful lives on a straight-line basis.

POTTER INSTRUMENT COMPANY, INC.

Property, Plant and Equipment—at cost (Note 3)	$11,150,113
Less: Accumulated depreciation and amortization	2,429,808
Net property, plant and equipment	$8,720,305

Note 3: Fixed Assets—The fixed assets at June 27, 1970 and the estimated lives used in computing depreciation (under the straight-line method) and amortization are as follows:

	Cost	Accumulated Depreciation & Amortization	Net Book Value	Estimated Useful Life
Land	$852,937	$ –	$852,937	–
Building and improvements	2,728,226	386,155	2,342,071	8-40 Years
Equipment for Lease to Customers	3,486,470	90,322	3,396,148	5 Years
Machinery and Equipment	2,847,349	1,231,439	1,615,910	2-10 Years
Furniture and Equipment	1,068,940	652,893	416,047	4-10 Years
Automotive Equipment	45,423	16,868	28,555	3-4 Years
Leasehold Improvements	120,768	52,131	68,637	Term of Lease
	$11,150,113	$2,429,808	$8,720,305	

SEABOARD ALLIED MILLING CORPORATION

Fixed Assets:	
Property, plant and equipment, at cost (notes 4 and 5)	$20,493,721
Less accumulated depreciation	11,620,333
	$8,873,388

Note (4): Construction and Lease of New Facilities—The Company has entered into a long-term lease with the Industrial Development Authority of the Town of Culpeper, Virginia for new milling property and equipment to be constructed in Culpeper, Virginia. The facilities are being financed through municipal industrial rev-

enue bonds aggregating $2,600,000 which had been sold by the Authority and are secured by the lease and a mortgage of the facilities. Under the terms of the twenty-year lease, the Company is to pay rentals equal to the principal and interest on the bonds plus expenses related thereto and has agreed to purchase the facilities for one dollar after expiration of the lease.

This lease, for accounting and tax purposes, is being considered as a purchase agreement. Accordingly, the costs of construction, including interest costs on the revenue bonds during the period of construction, have been included in construction in progress and the outstanding indebtedness under the bonds issued by the Town of Culpeper reflected as a liability.

At May 30, 1970 the Company's commitments for completion of this facility amounted to approximately $700,000.

Note (5): Property, Plant and Equipment—Property, plant and equipment of the Company and its consolidated subsidiaries at May 30, 1970 were as follows:

Land and improvements	$339,983
Buildings and improvements	7,049,204
Machinery and equipment	9,554,883
Automotive equipment	667,294
Office furniture and fixtures	357,606
Other	112,804
Construction in progress	2,411,947
	$20,493,721

In general, fixed assets are being depreciated over their useful lives on a straight-line basis, however, certain assets, acquired since January 1, 1954, are being depreciated on an accelerated (declining balance or sum-of-the-year's digits) basis.

SPARTANS INDUSTRIES, INC.

Property, equipment and improvements—at cost (Note F):	
Continuing divisions (less depreciation and amortization of $49,481,071 in 1970 and $40,058,906 in 1969)	$232,610,531
Domestic manufacturing division being terminated (estimated realizable value in 1970 and depreciated cost in 1969)	5,839,762
Total property, equipment and improvements	$23,450,293

(Note F): Property, Equipment and Improvements—Property, equipment and improvements of continuing divisions comprise the following:

	August 2, 1970	August 3, 1969
Land	$43,142,651	$33,735,362
Buildings and building improvements	141,338,142	135,515,821
Leasehold improvements	10,241,641	8,845,979
Fixtures and equipment	62,037,542	59,238,189
Transportation equipment	1,243,727	1,126,162
Equipment leased to others	17,026,931	17,026,931
Total	275,030,634	255,488,444
Korvette stores under construction	7,060,968	12,352,308
Total	$282,091,602	$267,840,752

It is estimated that an additional $24,000,000 (without regard to mortgage financing) will be expended through July 1972 on sites presently under contract, to build and fixture new Korvette stores.

Arlen (Notes A and U) is the general contractor for two Korvette stores presently under construction.

The life used for each major class of asset follows:

Buildings and building improvements	40 to 50 years
Leasehold improvements	5 to 20 years
Fixtures and equipment	3 to 20 years
Transportation equipment	2 to 10 years
Equipment leased to others	Term of lease

Depreciation and amortization is reflected in the consolidated statement of operations under the following captions:

	Fifty-Two Weeks Ended August 2, 1970	Fifty-Three Weeks Ended August 3, 1969
Depreciation and amortization	$11,446,348	$8,128,624
Operating (loss) or profit—domestic manufacturing division being terminated	1,705,044	1,436,212
Other income (net)	1,217,119	1,099,523
Total	$14,368,511	$10,664,359

Depreciation for federal income tax purposes is computed at 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.

STANDARD MOTOR PRODUCTS, INC.

Property and Equipment (Note B)	
Machinery and Equipment	$1,841,953
Tools, Dies and Auxiliary Equipment	437,379
Furniture and Fixtures	963,213
Automobiles and Trucks	189,570
Leasehold Improvements	790,803
	$4,222,918
Less: Accumulated Depreciation and Amortization	1,827,559
Total Property and Equipment—Net	$2,395,359

Note B: Property and Equipment—Property and Equipment are recorded at cost and are depreciated over their respective useful lives using, in general, the double-declining balance method.

XEROX CORPORATION

	(Dollars in Thousands)
Rental Equipment and Related Inventories	
At cost (less accumulated depreciation: 1970— $714,833; 1969— $577,832) (note 3)	$630,470
Land, Buildings and Equipment	
At cost (less accumulated depreciation: 1970— $144,339; 1969— $116,056) (note 3)	$287,285

Note 3: Rental Equipment and Related Inventories, and Land, Buildings and Equipment—The double declining balance method is used to compute depreciation on rental equipment over an estimated useful life of five years, except for (a) computers and (b) rental equipment outside the United States and Canada, which are depreciated on the straight line method over four and five years, respectively. Declining balance methods of computing depreciation are generally used in the United States for new buildings and equipment acquired after 1953 and in Canada. Other depreciation is generally computed on the straight line method.

A summary of land, buildings and equipment and accumulated depreciation follows:

	Typical Useful Life	1970	1969
Assets			
Land		$22,369,000	$17,967,000
Buildings	30 years	116,003,000	95,229,000
Leasehold improvements	15 years	28,267,000	20,933,000
Plant machinery	15 years	145,797,000	123,383,000
Office furniture and fixtures	12 years	57,812,000	45,556,000
Other	4 years	26,838,000	23,211,000
Construction in progress		34,538,000	26,672,000
Total		431,624,000	352,951,000
Less accumulated depreciation		144,339,000	116,056,000
Net land, buildings and equipment		$287,285,000	$236,895,000

Breakdown by Function

AMERICAN ZINC COMPANY

	(Thousands of Dollars)
Property, Plant and Equipment, at cost (Note 5)	$67,267
Less accumulated depreciation and depletion	28,230

Note 5: Property, Plant and Equipment—A summary of property, plant and equipment at June 30, 1970 follows (in thousands):

	Cost	Accumulated Depreciation & Depletion	Net
Manufacturing Division	$37,317	$15,187	$22,130
Mining Division	15,250	5,538	9,712
Stone Division	5,188	2,819	2,369
Construction in Progress	1,517		1,517
General	365	194	171
Idle Property	7,630	4,492	3,138
	$67,267	$28,230	$39,037

Depletion of mineral lands and depreciation of plant and equipment directly related and inseparable from mining property is computed 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 consists of property held for sale and property temporarily inactive pending future developments.

GULF OIL CORPORATION

	Millions of Dollars
Properties (Note 5)	$5,342

Note 5: Properties (1969 omitted for presentation purposes)

Millions of Dollars

	Gross Investment at Cost	Accumulated Depreciation, etc.	Depreciation, etc. Charged to Income	Expenditures
Exploration & Production	$4,587	$2,656	$265	$239
Natural Gas Liquids	311	152	15	24
Transportation	845	337	32	49
Refining	1,687	783	55	341
Chemicals	614	196	43	76
Marketing	1,873	621	91	160
Other	295	125	21	50
	$10,212	$4,870	$522	$939

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 lease and well equipment, intangible drilling costs, and leasehold costs for producing leases 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 basis using the straight-line method based on estimated remaining useful economic lives of groups of related properties. 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 certain foreign subsidiaries are taken to income.

KENNECOTT COPPER CORPORATION

Mining land, plants, equipment and other properties, at cost, less accumulated depreciation, depletion and amortization (Notes 5 and 6)	*$1,066,129,076*

Note 5: Mining Land, Plants, Equipment and Other Properties, at Cost—

	1970	1969
Non-ferrous metals (excluding titanium)	$796,855,361	$771,978,276
Coal	537,224,237	479,425,830
Iron and titanium	98,106,936	95,379,284
Metal fabricating	97,418,007	95,810,403
Other	24,061,393	16,728,055
Total	1,553,665,934	1,459,321,848
Less, Accumulated depreciaton (1970, $453,080,020; 1969, $388,536,903) depletion and amortization	487,536,858	410,309,880
	$1,066,129,076	$1,049,011,968
Charges to operations for the year:		
Depreciation	$60,065,815	$60,632,188
Depletion and amortization	13,227,984	12,072,825
	$73,293,799	$72,705,013

Depreciation and depletion are computed on the straight-line and unit of production sold methods, respectively.

Note 6: Capitalized Mining Costs—For financial statement purposes mining costs attributable to the production of coal dedicated under a reserved production payment agreement are being capitalized. Such costs are being amortized using per ton rates designed to write off the total estimated mining costs to be capitalized over the Company's share of the estimated tonnage to be produced in a thirty-year period. Since these costs are deducted for income tax purposes, as incurred, provision has been made for deferred income taxes attributable thereto. Revenues of $52,184,848 in 1970 and $33,682,658 in 1969 have been excluded from income and applied against the reserved production payment, including principal and interest. The unpaid principal amount at December 31, 1970, was $248,489,476. Capitalized mining costs and amortization thereof amounted to $45,602,400 and $8,112,200, respectively in 1970, compared to $28,457,500 and $7,479,900 in 1969.

J. RAY McDERMOTT & CO., INC.

Property, Plant and Equipment—at Cost	$279,197,814
Less accumulated depreciation, depletion and amortization	102,591,307
Property, plant and equipment—net	$176,606,507

Notes to Consolidated Financial Statements

Note (8): Property, plant and equipment are stated at cost. This investment together with related reserves, are set forth below:

	Cost	Accumulated Depreciation, Depletion and Amortization
Land	$6,203,753	$ — —
Oil and gas properties	66,983,527	24,796,462
Property under construction	6,836,858	— —
Buildings and construction equipment	187,242,524	72,120,814
Transportation equipment	7,471,172	3,574,440
Other equipment	4,459,980	2,099,591
	$279,197,814	$102,591,307

The Company uses the total cost method of accounting for its oil and gas properties. Under this method all costs of productive and nonproductive properties, as well as costs incident to acquisition, exploration and development of properties, including costs of leases surrendered or abandoned, delay rentals, dry holes and a proportionate share of general and administrative expenses relating to exploration and development activities are capitalized in the property account.

Costs capitalized under this method are depleted and depreciated on the unit of production method (barrels of oil produced plus gas production converted to equivalent barrels of oil) based upon remaining proven developed reserves as estimated by geologists and petroleum engineers of the Company.

Depreciation of physical properties is provided on a straight-line method at rates based on the estimated useful life of the properties; rates range as follows:

Buildings	3⅓% to 12½%
Lease and well equipment	over remaining reserves of oil and gas
Construction equipment	5% to 50%
Transportation equipment	20% to 50%
Furniture and fixtures	10% to 33⅓%

POTLATCH FORESTS, INC.

Land, other than timberlands	$5,800,075
Buildings and equipment, at cost, less accumulated depreciation ($139,192,653 in 1970; $131,431,753 in 1969) (note 3)	164,793,618
Timber, timberlands, and related logging facilities, net (note 4)	41,030,374

Note 3: Depreciable Assets—Buildings, machinery, etc., are summarized as follows:

	1970	1969
Lumber, plywood, and other wood products facilities	$69,239,694	$63,789,094
Pulp, paper, and paperboard facilities	156,237,551	140,371,431
Paper and paperboard converting facilities	42,595,428	45,643,992
Other properties, including logging equipment and railroad facilities	22,878,393	18,909,016
Construction in progress	13,035,205	23,083,405
	$303,986,271	$291,796,938

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 prop-

erty additions and improvements amounted to approximately $60,948,000 at December 31, 1970.

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.

	1970	1969
Timber and timberlands	$37,777,963	$41,175,263
Related logging facilities	3,252,411	2,920,993
	$41,030,374	$44,096,256

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 primarily upon estimated recoverable timber made accessible by the facilities. Depletion and amortization charged to income in 1970 amounted to $2,049,091 ($2,366,712 in 1969) and $1,608,239 ($2,172,983 in 1969), respectively.

THE STANDARD OIL COMPANY (An Ohio Corporation)

Property, Plant and Equipment—at cost	(000)
Petroleum	
Production	$413,017
Refining	368,662
Marketing	438,757
Transportation	121,213
Coal	73,707
Chemicals	82,409
Plastics	34,218
Motor Inns, Food Services, and Other	51,792
	1,583,775
Less Accumulated Depreciation and Depletion	491,211
	$1,092,564

Accounting Policies and Practices

Depreciation and Depletion—Depreciation of property, plant, and equipment, except for that associated with oil and gas production and coal mines, is provided substantially by the straight-line method at rates calculated to extinguish the cost over estimated useful lives. Depletion and depreciation of producing oil, gas, and mineral properties are computed at rates applied to the units of production on the basis of estimated recoverable oil, gas, and mineral reserves. Undeveloped leasehold costs are amortized at rates based on experience.

Property Valuation Allowances

ASG INDUSTRIES INC.

Property, Plant and Equipment—at cost (Notes 8 and 9):	
Land	$634,381
Buildings	23,487,144
Machinery and equipment	52,902,304
Construction in progress	567,711
	77,591,540
Less accumulated depreciation	38,981,968
	$38,609,572

Note 8: 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)
Buildings and improvements	45
Furnaces, machinery and equipment	20
Furnace linings	5
Furniture, office and other equipment	5-10

Depreciation expense for 1970 and 1969 amounted to $3,681,293 and $3,729,971 (see Note 9).

Note 9 (in part): Extraordinary Items—

Charge for extraordinary obsolescence of equipment caused by anticipated change in manufacturing process	$7,289,356

The Company has been studying the possibility of converting its Greenland plant to the float glass process. After careful consideration of this and other alternative actions, it is the Company's present intention to proceed with this conversion. The Company believes that it will take approximately two years to complete the conversion. The plate glass plant will continue in operation for a substantial portion of this two-year period. The float glass process differs from the plate process in that it can produce substantially distortion-free glass without the necessity for grinding and polishing. The decision then to convert to the float process renders the grinding and polishing equipment at the Greenland plant virtually useless when float operations begin. Therefore, the Company has decided to recognize this year the extraordinary obsolescence resulting from its decision to convert to the float process. Accordingly, the undepreciated book value of the grinding and polishing equipment, which would have existed when the float process is expected to become operational, has been charged to operations in the current year.

OWENS-ILLINOIS, INC.

	(Thousands of Dollars)
Property, plant and equipment (Note 3):	
Building and equipment, at cost	$1,127,881
Less accumulated depreciation	450,615
	677,266
Land, timberlands and mineral deposits, at cost less depletion	98,850
	776,116
Less allowance for loss (Note 7)	19,459
	$756,657

Note 3: Property, Plant and Equipment—The major classes of property, plant and equipment are as follows:

	1970	1969
	in thousands	
Cost:		
Buildings and building equipment	$304,136	$290,973
Factory machinery and equipment	734,947	679,262
Transportation, office and miscellaneous equipment	46,355	43,254
Construction in progress	42,443	31,927
	1,127,881	1,045,416
Accumulated depreciation	450,615	408,630
	677,266	636,786
Land, timberlands and mineral deposits, at cost less depletion	9,850	101,734
	776,116	738,520
Less allowance for loss (Note 7)	19,459	--
Net property, plant and equipment	$756,657	$738,520

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.

Note 7: Extraordinary Charge—The Company's Bahamian subsidiary has a sugarcane plantation and mill and a pulpwood logging operation in the Bahamas. In November 1970, the Company decided to discontinue the sugar operation and announced that the 1971 cane crop would not be harvested although the crop would be maintained while a buyer is being sought. Accordingly, a provision was made to reduce the carrying value of the Bahamian assets to a realistically conservative basis. In the consolidated balance sheet the provision has been reflected as a reduction in the related assets, an accrual for shutdown and termination costs, and a reduction in deferred U.S. income taxes.

RIEGEL PAPER CORPORATION

Fixed Assets, at Cost:

Property, plant and equipment	
Land	1,049,000
Buildings	41,900,000
Machinery and equipment	133,078,000
Construction in progress	4,684,000
	180,711,000
Less accumulated depreciation and allowance for estimated losses for facilities retirement and disposition and asset redeployment (Note 7)	95,164,000
Property, plant and equipment, net	85,547,000
Timberlands	13,527,000
Less accumulated depletion	4,532,000
Timberlands, net	8,995,000
Fixed assets, net	$94,542,000

Note 7: Plan For Facilities Retirement and Disposition and Asset Redeployment—On October 23, 1970, the Board of Directors approved a plan for facilities retirement and disposition and asset redeployment with respect to certain principal facilities of the Paper Division's New Jersey operations. The aggregate losses and costs expected to be incurred in connection with the plan, less the related current and deferred tax benefits of $3,000,000 and $6,550,000, respectively, are shown as an extraordinary charge in the accompanying statement of consolidated income. The charge takes into effect the estimated proceeds (fair market or salvage value) to be received upon the retirement and disposition of the affected facilities and the estimated time considered necessary to effect an orderly execution of the plan. While it is not presently possible to determine the actual losses and costs to be incurred in connection with the plan, it is the opinion of management of the Company that adequate provision has been made in the accompanying financial statements for all amounts which may be reasonably anticipated at the present time.

The reserves created by the extraordinary charge, less actual costs incurred ($234,000) and losses on fixed asset retirements ($3,039,000) through January 3, 1971, are included in the accompanying consolidated balance sheet as a reduction of property, plant and equipment

TABLE 2-23: UNCONSOLIDATED SUBSIDIARIES—VALUATION

Number of Presentations	1970	1969	1968	1967
Domestic and Canadian:				
Equity in net assets	88	76	69	68
Cost plus equity in accumulated earnings	43	38	42	38
Other, or basis not set forth	57	43	35	77
Subtotal	188	157	146	183
Foreign (excluding Canada):				
Equity in net assets	42	42	38	44
Cost plus equity in accumulated earnings	29	30	28	31
Cost (or substantially at cost)	64	58	59	76
Other, or basis not set forth	24	35	40	43
Subtotal	159	165	165	194
Total	347	322	311	377
Number of Companies				
With investment account for unconsolidated subsidiaries .	259	239	230	271
With no such account	341	361	370	329
Total	600	600	600	600

($10,883,000) to the extent that they represent estimated losses on such assets, and as a liability reserve to the extent that they represent all other estimated costs and expenses expected to be incurred in connection with the plan. The income tax benefits relating to the amounts expected to be deductible for tax purposes in fiscal year 1970 have been applied against Federal and State income taxes currently payable, with the remainder applied as a reduction in deferred income taxes.

The net sales included in the accompanying statement of consolidated income relating to the facilities affected by the plan were approximately $33,000,000 for each of the years 1970 and 1969 and the resulting loss for 1970 and income for 1969 (after provision for income taxes but exclusive of charges for corporate expenses) approximated $100,000 and $800,000 respectively.

INVESTMENTS IN VOTING STOCK OF INVESTEES

ARB No. 51, as amended by *Opinion No. 10,* stipulated that investments in unconsolidated domestic subsidiaries "should be adjusted for the consolidated group's share of accumulated undistributed earnings and losses since acquisition". *Opinion No. 18 — The Equity Method of Accounting for Investments in Common Stock,* issued in March 1971 by the Accounting Principles Board, amends and supersedes *ARB No. 51* and *Opinion No. 10* to the extent that they relate to the equity method of accounting. The provisions of *Opinion No. 18—* which require that the equity method be extended to investments in foreign subsidiaries, corporate joint ventures and companies owned 20% or more— are effective for fiscal periods beginning after December 31, 1971. Examples of the equity method follow.

Tables 2-23, 2-24, 2-25, and 2-26 summarize the balance sheet presentation of investments of 20% or more of the voting stock of an investee. Table 3-26 summarizes the income statement presentation of such investments.

TABLE 2-24: 50% OWNED COMPANIES—VALUATION

Number of Presentations	1970	1969	1968	1967
Domestic and Canadian:				
Equity in net assets	32	34	24	36
Cost plus equity in accumulated earnings	31	26	22	27
Cost (or substantially at cost)	28	30	42	45
Other, or basis of valuation not set forth	14	15	14	15
Subtotal	105	105	102	123
Foreign (excluding Canada):				
Equity in net assets	24	25	23	25
Cost plus equity in accumulated earnings	18	24	17	17
Cost (or substantially at cost)	19	35	43	49
Other, or basis of valuation not set forth	6	15	15	13
Subtotal	67	99	99	104
Total	172	204	201	227
Number of Companies				
With investment account for 50%-owned companies	132	144	152	165
With no such account	468	456	448	435
Total	600	600	600	600

TABLE 2-25: OTHER UNCONSOLIDATED COMPANIES—VALUATION

Number of Presentations	1970	1969	1968	1967
Domestic and Canadian:				
Cost (or substantially at cost)	80	77	71	62
Cost, or below cost (less reserve)	18	22	17	9
Other	30	16	10	6
Valuation not set forth	14	17	11	13
Subtotal	142	132	109	90
Foreign (excluding Canada):				
Cost (or substantially at cost)	58	65	65	63
Cost, or below cost (less reserve)	17	16	23	14
Other	9	16	17	6
Valuation not set forth	14	25	23	14
Subtotal	98	122	128	97
Total	240	254	237	187
Number of Companies				
With investment account for affiliates	188	187	174	135
With no such account	412	413	426	465
Total	600	600	600	600

Subsidiaries

ADMIRAL CORPORATION

Investments in and Advances to Unconsolidated Finance Subsidiaries— at Underlying Book Equities— Note B (3)	*$10,469,462*

TABLE 2-26: INVESTMENT IN VOTING STOCK — PRESENTATION

Balance Sheet Terminology*	1970	1969	1968	1967
A: Investments in	193	192	193	215
B: Investments in and advances to	125	119	112	106
C: Investments in and receivables due from	7	7	11	10
D: Securities	16	14	11	6
E: Equity in net assets	10	13	10	11
F: Equity in net assets and advances to	5	4	7	11
G: Other	12	21	7	7
H: Included in other assets	9	16	8	5
Total	377	386	359	371
Number of Companies				
Referring to investments in voting stock	350	357	342	363
Not so referring	250	243	258	237
Total	600	600	600	600

*Refer to Company Appendix Section— A: 35,109, 235, 467; B: 6, 61, 105, 352; C: 130, 274, 452, 465; D: 263, 403, 519, 534, 618; E: 1, 28, 233, 336; F: 303, 529, 566, 684; G: 274, 535, 584, 668; H: 85, 128, 419, 563.

Note B (3): After eliminating parent company advances, underlying net assets of the two unconsolidated finance subsidiaries are summarized as follows:

	1970	1969 (Reclassified)
Current assets (primarily receivables)	$47,055,111	$43,499,414
Current liabilities (primarily loans payable)	36,944,137	34,125,767
Net current assets	10,110,974	9,373,647
Other assets (net)	358,488	292,260
	$10,469,462	$9,665,907

Income before income taxes of such subsidiaries, which amounted to approximately $1,614,000 in 1970 and $1,446,000 in 1969, is included in "Sundry income"; applicable income taxes of $821,000 in 1970 and $765,000 in 1969 either have been included in "Provision for foreign income taxes" or have been offset against Federal tax credits of loss companies.

McCORMICK & COMPANY, INCORPORATED

Investments

Investments in and advances to unconsolidated subsidiary and 50%-owned companies (Note 1)	$6,734,732
Other	1,118,800
Total Investments	$7,853,532

Note 1: Principles of Consolidation—The consolidated financial statements include all wholly-owned subsidiaries. In consolidation, the excess cost of acquisition of consolidated subsidiaries is being amortized over a period of ten years from the respective dates of acquisition.

Investments in the Company's unconsolidated subsidiary, Maryland Properties, Inc. (93.6% owned) and 50%-owned companies are stated at cost plus share in net earnings since acquisition. Information with respect to such companies is as follows:

	1970	1969
Assets	$46,837,834	$35,741,473
Liabilities	43,675,265	33,630,296
Net Income	424,273*	207,452

** Before elimination of inter-company profit.*

NATIONAL LEAD COMPANY

Investments:

Lake View Trust and Savings Bank (Note 1)	*$45,395,000*
Unconsolidated subsidiaries (Note 1)	*12,962,000*

Note 1: Consolidation Principles—The consolidated financial statement include the accounts of the Company, all domestic subsidiaries (except Lake View Trust and Savings Bank) and major wholly-owned foreign subsidiaries translated at appropriate rates of exchange. Pertinent financial data regarding foreign subsidiaries is shown on pages 17 and 18.

The Company's investment in major unconsolidated majority-owned foreign subsidiaries and in Lake View Trust and Savings Bank are stated at cost, adjusted for subsequent changes in equity. The Company includes in income its equity in the net income of such subsidiaries.

Following is a summary of pertinent financial information relating to the Bank:

	(In Thousands) 1970	1969
Assets	$327,429	$311,178
Deposits & other liabilities	301,278	288,714
National Lead's equity in Bank's net income	4,459	4,514
Less: Interest cost to National Lead, after applicable tax benefit of $1,617,000 in 1970 and $1,690,000 in 1969, on funds borrowed to purchase Bank	1,669	1,510
Net income attributable to Bank	$2,790	$3,004

See Report of Affiliates, page 16, for comments relating to the Bank Holding Company Act of 1970.

Page 16: The Bank Holding Company Act Amendments of 1970 provide that a bank holding company

such as National Lead Company shall not after December 31, 1980 engage in any activities other than banking or activities closely related to banking, subject to conditions that the Federal Reserve Board may impose. While the company must divest itself of control of the bank by December 31, 1980, it might be necessary or advisable to do so prior to that date if the Federal Reserve Board objected to acquisitions or new activities of National Lead.

J.C. PENNEY COMPANY, INC.

Investment in unconsolidated subsidiaries *$178,358,700*

Review of Operations and Financial Information

J.C. Penney Company, Inc.'s financial statements present, on a consolidated basis, the results of all domestic merchandising and real estate operations. Not consolidated are J.C. Penney Financial Corporation, three insurance companies, J.C. Penney Europe, Inc. and certain smaller subsidiaries. Separate financial statements of the principal unconsolidated subsidiaries are presented below in condensed form.

The income of J.C. Penney Financial Corporation is included in the parent company statement of income as a reduction of interest expense. The combined income of all other unconsolidated subsidiaries is included as a single item in the parent company statement of income.

The acquisitions in 1970 of Great American Reserve Corporation and Supermarkets Interstate, Inc. were treated as poolings of interests. Prior period results have been restated to reflect these transactions.

Investment in unconsolidated subidiaries was $178.4 million at year end 1970, compared with $160.2 million at year end 1969. The following tabulation shows a breakdown of the investment, stated at Penney's original cost plus equity in net income since formation or acquisition:

(In millions)	January 30 1971	January 31 1970
J.C. Penney Financial Corporation	$135.5	$120.4
Great American Reserve Insurance Company	17.4	16.1
Other Great American Reserve companies	5.2	4.5
J.C. Penney Insurance Companies	11.4	9.2
J.C. Penney Europe, Inc.	8.9	10.0
Total	$178.4	$160.2

Net income of other unconsolidated subsidiaries declined to $3.3 million in 1970 from $3.7 million in 1969. Included in these totals are the income of Great American Reserve Insurance Company (96.8 per cent owned) and the following wholly owned subsidiaries: J.C. Penney Insurance Company, J.C. Penney Life Insurance Company, J.C. Penney Europe, Inc., Citizens National Bank of Dallas, Home Mortgage & Investment Co., Douglas Plaza Corporation and Home Agency, Inc.

STONE CONTAINER CORPORATION

Investment in South Carolina Industries, Inc. (65% owned subsidiary) (Note 1) $6,065,620

Note 1: Principles of Consolidation, Etc.;—The accounts of all subsidiaries are consolidated in the accompanying financial statements, except for South Carolina Industries, Inc.

The investment in South Carolina Industries, Inc., which operates a kraft linerboard mill at Florence, South Carolina, is stated at 65% of the book value of the subsidiary, reduced by the intercompany profit included in the Company's inventory at December 31, 1970 and by the income tax which would have been payable on the undistributed earnings if received as dividends.

The Company has entered into agreements, whereby it is obligated to purchase 65% of the output of South Carolina Industries, Inc. at prices sufficient to provide for all costs and expenses of its operations, and for sufficient funds to pay current maturities on its funded debt. The Company is further required (a) to maintain net working capital, as defined, of $5,500,000 and, (b) to refrain from incurring long-term funded indebtedness, as defined, in excess of 33⅓% of net tangible assets.At the option of a minority shareholder of South Carolina Industries, Inc., the Company is committed to purchase an additional 14% interest in the subsidiary over a period of years at varying amounts from approximately 80% to 95% of the book value.

Condensed balance sheets of South Carolina Industries, Inc. (which are subject to the effect, if any, of the tax matter referred to here-in-after) at December 31, 1970 and 1969 follow:

	1970	1969
Assets:		
Current assets	$6,043,787	$6,458,757
Deferred charges	126,202	137,192
Property, plant and equipment—at cost less accumulated depreciation and depletion of $11,480,935 in 1970 and $9,679,167 in 1969	18,925,620	20,394,099
Total assets	$25,095,609	$26,990,048
Liabilities and Capital:		
Current liabilities	$2,286,242	$2,122,425
Long-term debt	12,000,000	13,200,000
Deferred taxes	1,166,000	961,500
Capital stock	8,000,000	8,000,000
Retained earnings	1,643,367	2,706,123
Total liabilities and capital	$25,095,609	$26,990,048

The Internal Revenue Service has proposed a deficiency for South Carolina Industries, Inc., for the taxable years 1966 through 1968, in the amount of $8,274,000. The proposed liability relates to sales price to the stockholders, under Section 482 of the Internal Revenue Code. South Carolina Industries, Inc. does not agree with the proposed adjustment, has filed a protest with the Internal Revenue Service and, in the opinion of its management and its tax counsel, has a meritorious defense to the proposed adjustment. No provision for ad-

ditional income taxes has been made in the accounts. The ultimate outcome of this matter is not presently determinable. The financial statements of South Carolina Industries, Inc., for 1970 and 1969 could be affected significantly by an unfavorable outcome of this case. In the event the proposed adjustment results in a tax deficiency to South Carolina Industries, Inc., the Company, as purchaser of 65% of its production, would be entitled to substantial offsetting tax refunds. The net effect on the Company's financial position would not be material.

The Company's equity in the net income of South Carolina Industries, Inc., in the amount of $777,700 in 1970 and $619,431 in 1969, is included as a reduction of the cost of products sold. This represents a classification change from the preceding year wherein this amount had been shown separately.

UMC INDUSTRIES, INC.

Other Assets:

Investment in wholly-owned defense subsidiaries (Notes 1 and 2)	$9,128,643

Note 1 (in part): Principles of consolidation—The financial statements exclude the accounts of all domestic subsidiaries, which consist of two wholly-owned defense subsidiaries, as a result of the effect of the transactions described below.

Approximately 51% of the outstanding common stock of UMC is owned by a foreign corporation controlled by Banque de Paris et de Pays-Bas (Suisse) S.A., an affiliate of Compagnie Financiere de Paris et des Pays-Bas. To comply with U.S. Department of Defense regulations limiting the ownership control or influence of foreign interests of companies possessing facility security clearances, UMC on July 15, 1970 exchanged the net assets of its Unidynamics Divisions for all the authorized and outstanding stock of two corporations organized to continue the defense operations. The stock was placed in a voting trust under the terms of which UMC relinquished all control over the operations of the two wholly-owned subsidiaries. The Voting Trust Agreement has a term of ten years but it may terminate or be terminated earlier upon the occurrence of certain stated contingencies relating to the need for or availability of facility clearances.

Because UMC relinquished control over the operations of its defense subsidiaries, their accounts have not been consolidated. UMC carries its investment in these subsidiaries at the carrying value of the net assets contributed adjusted for its equity in subsequent earnings or losses.

The consolidated balance sheet at December 31, 1969 as previously reported has been restated to exclude the accounts of the predecessor defense divisions at that date, comparable with current reporting practice, Previously reported results of operations for periods prior to the effective date of the voting trust have likewise been restated to reflect the defense subsidiaries results of operations on an equity basis. The statement of source and application of funds has been presented on an historical basis reflecting the source and application of the defense divisions' funds prior to incorporation and the working capital transferred to the new subsidiaries at that date. The defense subsidiaries' condensed, combined net assets at December 31, 1970 and 1969 and the results of their operations for the two years then ended are set forth in Note 2.

Note 2 (in part): Defense subsidiaries—The combined net assets of the unconsolidated defense subsidiaries underlying UMC's investment at December 31, 1970, with comparative figures of the predecessor divisions previously reported in the consolidated balance sheet at December 31, 1969, were as follows:

	1970	1969
Cash and certificates of deposit	$1,215,218	$35,734
Accounts receivable, principally government	5,133,756	5,752,166
Inventories, at lower of cost or market	1,603,194	1,782,611
Other current assets	83,890	53,400
Total current assets	8,016,058	7,623,911
Less current liabilities, including notes payable to UMC of $250,000 in 1970	1,141,946	2,313,390
Working capital	6,874,112	5,310,521
Property, plant and equipment, at cost less accumulated depreciation of $3,643,330 in 1970 and $3,438,223 in 1969	2,888,162	3,569,583
	9,762,274	8,880,104
Less:		
Long-term debt	519,231	565,385
Deferred federal income tax	114,400	154,000
	633,631	719,385
Net assets	$9,128,643	$8,160,719

Combined results of operations of the unconsolidated defense subsidiaries, including operations of the predecessor divisions, for the years ended December 31, 1970 and 1969 were as follows:

	1970	1969
Earned revenues	$12,892,135	$28,676,709
Cost of earned revenues	10,695,207	22,953,509
General and administrative expenses	2,457,134	3,469,572
	13,152,341	26,423,081
Earnings (loss) from operations	(260,206)	2,253,628
Other income (deductions)	1,039	(212,175)
	(259,167)	2,041,453
Provision for (refund of) federal income tax	(126,200)	1,074,300
Net earnings (loss)	$(132,967)	$967,153

Expense allocations by UMC to the defense divisions, prior to the effective date of the Voting Trust Agreement, were made as follows:

	1970	1969
General and administrative expenses	$133,742	$488,808
Interest	--	190,800
Total	133,742	679,608
Less federal income tax	65,100	357,600
Charge to net earnings and to equity in earnings	$68,642	$322,008

As of the effective date of the Voting Trust Agreement such expense allocations were discontinued.

UNITED STATES STEEL CORPORATION

Investments in realty, leasing and finance operations (details on page 30) .. $62,598,249

Notes to Financial Statements

Principles Applied in Consolidation—All majority owned subsidiaries are consolidated, except for those described below accounted for on an equity basis and companies which are insignificant.

In recognition of their growing importance in 1970, investments in realty, leasing and finance operations are carried in the consolidated statements at U.S. Steel's equity in the net assets and advances to such operations which at December 31, 1970 may be summarized as follows:

	(In millions)
Realty, leasing and finance companies	
Cash, receivables and inventory	$202.2
Plant and equipment, less depreciation	14.6
Investments and other assets	6.9
Total assets	223.7
Less liabilities:	
Current notes* and accounts payable	194.0
Debt due after one year	5.5
	24.2
Other realty operations	38.4
Total	$62.6

**Includes $144.5 million guaranteed by U.S. Steel.*

Long-term receivables and other investments, less estimated losses, include other investments of $71.2 million. Beginning in 1970 those investments which represent significant ownership interest are carried on the equity basis and all others are carried at cost.

U.S. Steel's equity in 1970 net income of companies carried on an equity basis amounted to $3.1 million which is included in consolidated income as part of interest, dividends and other income.

WESTVACO CORPORATION

Investment in U.S. Envelope (note A) .. $17,889,000

Note (A): 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 have been translated at appropriate current or historical rates on a basis consistent with the prior year. Income of foreign subsidiaries, principally in Brazil, included in consolidated net income for the year 1970 amounted to $3,167,000 (1969—$2,826,000). Dividends received from these subsidiaries during the year amounted to $115,000 (1969—$152,000).

The Company's investment in United States Envelope Company (57% owned) 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 both 1970 and 1969. Financial data pertaining to U.S. Envelope Company for the years ended October 31, 1970 and 1969 are summarized below:

	1970	1969
Sales	$78,639,000	$76,514,000
Net income	1,617,000	1,322,000
Total assets	35,761,000	36,353,000
Working capital	14,793,000	14,487,000
Shareholders; equity	26,696,000	26,030,000

Under the consent decree entered in 1966 settling the Government's civil antitrust suit, the Company may not sell paper to U.S. Envelope while owning any of its stock. The decree permits either party to seek modification of its terms and permits the Government after February 11, 1971, to apply for an order of divestiture after a hearing.

50% Owned Companies

AMERICAN METAL CLIMAX, INC.

Investments in AMAX Credit Corporation and 50%-owned companies (Note 5) $17,050,000

Note 5: Investment in AMAX Credit Corporation and 50%-Owned Companies:

	1970	1969
Amax Credit Corporation	$2,330,000	$2,260,000
Decatur Aluminum Co.	1,050,000	970,000
Gibraltar Coal Corporation	4,170,000	4,420,000
Intalco Aluminum Smelter Operating Companies	7,490,000	6,760,000
International Calciners, Inc.	1,980,000	300,000
Kawneer Jamaica Limited	30,000	50,000
Mackamax Aluminum Limted	--	880,000
Alumex, S.A. de C.V.	--	1.760,000
	$17,050,000	$17,400,000

The Company's investment in AMAX Credit Corporation and 50%-owned companies is carried at its equity in the net assets of these companies.

BORDEN, INC.

Investments and Other Assets

Investments in and advances to 50% owned companies (at cost plus equity in undistributed income)	$16,856,454

Notes to Consolidated Financial Statements

Note (1): Principles of Consolidation—The consolidated financial statements include the accounts of Borden, Inc. and its significant subsidiaries. Commencing in 1970, the Company extended its consolidation practice to include all significant foreign subsidiaries and adopted the policy of carrying investments in 50% owned companies at cost plus equity in undistributed income. Heretofore, foreign subsidiaries, other than Canadian subsidiaries, were excluded from consolidation and, together with 50% owned companies, were carried at cost on the consolidated balance sheet.

For comparative purposes, 1969 financial statements have been restated to reflect these changes which had the effect of increasing retained earnings at December 31, 1969 by $15,462,000, income before extraordinary items by $1,857,000 and extraordinary items by $4,150,000; and decreasing net income by $2,293,000 ($.08 per share).

In connection with consolidation of the foreign subsidiaries, the Company established out of its equity in the accumulated earnings of the foreign subsidiaries a reserve for foreign operations in an amount of $8,000,000. The reserve will be used to absorb abnormal losses from foreign currency devaluations and other causes.

After translation into equivalent United States dollars, subsidiaries outside the United States and Canada contributed the following amounts to the consolidated financial statements:

	1970	1969
Net sales	$137,120,000	$14,182,000
Company's equity in:		
Income before extraordinary items	8,832,000	8,343,000
Extraordinary items	--	(4,150,000)
Net income	8,832,000	4,193,000
Net assets	51,466,000	44,203,000

The assets and liabilities of subsidiaries outside the United States have been translated at year-end exchange rates except that property and equipment and related depreciation have been translated at approximate rates prevailing when the assets were acquired. Income and expense amounts have been translated at average rates prevailing during the year except for depreciation which was translated at the approximate rates prevailing when the depreciable assets were acquired.

The Company's equity in undistributed earnings of 50% owned companies is included in other income and amounted to $1,678,000 in 1970 and $1,415,000 in 1969. Minority interests in income of consolidated subsidiaries of $1,493,000 and $1,164,000 in 1970 and 1969 respectively, have been included in selling, general and administrative expenses.

CROWN ZELLERBACH

Other assets:

Investments in affiliated companies	$28,037,000

Notes to Financial Statements

Investments in Joint Ventures and Deferred Charges—The corporation holds 50% equity in the following joint ventures:

St. Francisville Paper Company
Crown Simpson Corporation
Crown Simpson Pulp Company (a partnership)
Crown-Van Gelder Papierfabrieken N.V.
Crown-Van Gelder Papier S.A.
Crown-Van Gelder Plastic Film Industrie N.V.
Laja Crown S.A. Papeles Especiales
Nippon Zellerbach Packaging K.K.

The investments are reflected in the corporation's balance sheet as follows:

Equity investments	$12,223,000
Undistributed earnings	8,437,000
Long-term advances	7,377,000
	$28,037,000

The corporation's share of the earnings of these companies, $3,295,000 in 1970 and $3,973,000 in 1969, is included in miscellaneous other income, net.

Major research and experimental and certain computer software development costs capitalized are being amortized over five years.

THE MEAD CORPORATION

	All dollar amounts in thousands
Investments and Other Assets:	
Investments in and advances to jointly-owned companies (Note E)	$109,896
Other assets and investments	32,548

Note E: Additional information—Reference is made to pages 1 to 3 of the Financial Review section for additional information regarding earnings per share; expansion program; jointly-owned companies; long-term liabilities; retirement plans; and income taxes.

Financial Review

Jointly-owned Companies—All domestic and Canadian jointly-owned companies with the exception of British Columbia Forest Products are 50% owned. The Corporation, together with Noranda Mines Limited, holds approximately 60% voting control of British Columbia Forest Products. Mead and Noranda have agreed that their shares will be voted by Northwood Pulp Limited which is owned 50% each by Mead and Noranda. Mead's investment in the unconsolidated jointly-owned companies is stated at cost plus equity (based upon au-

dited financial statements) in undistributed earnings. The composition of Mead's investment in these companies at December 31, 1970 is as follows:

All dollar amounts in thousands

Investment and advances—at cost	$72,293
Equity in undistributed earnings included in retained earnings	37,603
	$109,896

Mead's share of the pretax earnings for the year was $7,253,000 of which $7,072,000, representing earnings of companies that supply Mead with certain raw materials, has been offset against Mead's cost of products sold. Applicable taxes of $3,005,000 on these earnings are included in the provision for taxes.

The combined financial data of these jointly-owned companies at December 31, 1970 were (Canadian funds converted to U.S. Dollars):

All dollar amounts in thousands

Sales of which $95,353 were to Mead	$346,567
Working capital	$107,921
Investments and other assets	23,207
Property, plant and equipment at cost—net of accumulated depreciation of $223,042	364,452
Timber resources at cost—net of depletion	36,701
	532,281
Less:	
Long-term debt due through 1992 (of which $45,083 is due to parent companies)	273,896
Deferred income taxes	40,709
Shareholders' equity	$217,676

Under long-term purchase contracts, the Corporation and the other 50% owners are each obligated to purchase 50% of the output of certain jointly-owned companies at prices sufficient to provide for all costs and expenses including interest on indebtedness, federal tax on income, and adequate funds to pay current installments of their funded indebtedness.

SCOTT PAPER COMPANY

			(Thousands of dollars)
Investments in Affiliates, at cost ($56,157—1970; $50,387—1969) plus equity in undistributed earnings			
International	$62,585	$52,769	
Domestic	32,343	30,075	$94,928

Financial Review

Basis of Consolidation—The consolidated financial statements include the accounts of all domestic and wholly-owned Canadian subsidiaries and the company's share of the earnings of affiliates (companies which are at least 50% owned) and a joint venture.

The company's share of the pretax earnings of its domestic affiliates is reflected as a reduction of product costs, since these affiliates supply Scott with pulp and logs. Applicable taxes are included in taxes on income.

Scott's Share of International Affiliates' Earnings increased 41% to $5,611,000 in spite of net foreign exchange losses of $480,000 caused principally by the devaluation of the Philippine Peso in February, 1970. The earnings increase resulted from improved sales and profits in most of these affiliates.

Scott's share of the earnings of its international affiliates, each of which is at least 50% owned, is reported as a separate item in the statement of Consolidated Operations.

VEEDER INDUSTRIES INC.

Investment in and Advances to Unconsolidated Associate Company—Note D	$1,491,216

Note D: Unconsolidated Associate Companies—In 1969 and prior years, the Company reported its investment in a 50% owned West German company at cost less reserve. During 1970, the Company changed its policy to include the accounts of this unconsolidated associate company on the equity basis of accounting. This change in reporting practice did not change 1969 reported consolidated net income of the Company, since the amounts previously included in the financial statements on the cost less reserve method were substantially equivalent to its equity in the underlying net assets and undistributed earnings of this 50% owned West German company. The Company's share of the net income of this unconsolidated associated company amounted to $331,944 for 1970 and $176,725 for 1969.

Deferred charges, and other assets at December 31, 1970 and December 31, 1969 include the Company's investment in its unconsolidated Brazilian subsidiary at cost ($190,174) less reserve ($190,173). Net income of this subsidiary amounted to $124,045 for 1970 and $126,904 for 1969. Dividends paid to the parent company were $50,000 for each of the years 1970 and 1969.

Minority Owned Companies

ESB INCORPORATED

Other Assets

Investments in and advances to partially-owned companies outside the United States	$12,478,674

Notes to Consolidated Financial Statements (for year ended March 31, 1971)

Investment in Partially-Owned Companies—Investments in partially-owned companies outside the United States consists of ESB's equity in the net assets of all companies in which its ownership is less than 100 percent, as follows:

	Location	Percentage of Common Stock Ownership
Duralux S.A.	Guatemala	75
Sherkat Sahami Electric Storage Battery Iran	Iran	50
Toshiba Ray-O-Vac K.K.	Japan	50
Microlite S.A.	Brazil	33⅓
Others	Various	Less than 50

ESB's equity in the current earnings of such companies, less U.S. income taxes estimated to be payable upon distribution, is included in consolidated income.

During the year ended March 31, 1971, ESB retroactively changed its method of accounting for investments in companies less than 50 percent owned which were previously stated at cost. This change increased consolidated net income for 1971 by $1,730,340 or 32 cents per share. The consolidated financial statements for 1970 have been restated to reflect this change, resulting in increases in net income for 1970 and retained earnings at April 1, 1969 of $1,223,283 or 23 cents per share and $2,317,105, respectively. A summary of the combined financial position and results of operations of the partially-owned unconsolidated companies (principally in Latin America) is as follows:

	1971	1970
Working capital	$17,452,246	$12,863,585
Other assets, net	9,314,605	7,535,988
Total net assets	26,766,851	20,399,573
ESB's equity in net assets	12,478,674	9,710,119
Net sales	57,063,293	49,823,855
Net income before U.S. taxes	8,027,048	6,547,813
ESB's equity in net income	$3,484,729	$3,550,164

GENERAL AMERICAN TRANSPORTATION CORPORATION

Investments and Other Assets

Investments in and advances to unconsolidated subsidiaries—Note A	$102,675,368
Investments in other companies—at cost—Note A	8,409,100
Cost of investments in consolidated subsidiaries over underlying net assets at dates of acquisition	6,538,405
Sundry accounts	4,845.261
	$122,468,134

Notes to Financial Statements

Note A: Principles of Consolidation and Investments in Unconsolidated Subsidiaries—The financial statements include the accounts of the Corporation and its domestic subsidiaries except those in the banking, finance leasing, real estate and ocean shipping businesses (see Notes G, H, and I for additional information with respect to the major unconsolidated subsidiaries and the acquisition of the MTL Group of Companies). Intercompany accounts and material amounts of intercompany sales or profit have been eliminated. The Corporation's investments in and the operating results of the unconsolidated subsidiaries are included in the statements on the basis of the equity method.

In 1970, the Corporation changed its method of accounting for investments in foreign subsidiaries, including a 45%-owned foreign affiliate. These investments are now carried at cost plus equity in undistributed net income since acquisition. The 1969 financial statements, (in which these investments previously were carried at cost) have been restated for comparative purposes. Reinvested earnings as of January 1, 1969 and net income for 1969 have been increased by $7,872,516 and $601,975, respectively (a total of $8,474,491, the equity at December 31, 1969 in undistributed net income since acquisition), to give retroactive effect to the change in the accounting method.

The Corporation's investments in, on the equity method, and advances to unconsolidated subsidiaries, totaling $102,675,368 at December 31, 1970, consisted of the following:

	Domestic	Foreign
Ocean shipping	$14,871,694	$13,709,837
Banking, finance leasing and real estate	41,525,721	16,813,277
Other services and manufacturing	--	15,754,839
	$56,397,415	$46,277,953

The Corporation's equity in undistributed net income (1970—$6,346,269; 1969—$3,235,698) of unconsolidated subsidiaries for 1969 and 1970 was as follows:

	Year Ended December 31			
	1970		1969	
	Domestic	Foreign	Domestic	Foreign
Equity in net income:				
Ocean shipping (for December, 1970—see Note I)	$87,427	$78,217	$—	$—
Banking, finance leasing and real estate	5,076,498	1,469,277	3,664,326	(7,880)
Other services and manufacturing	—	1,732,413	—	1,588,230
	5,163,925	3,279,907	3,664,326	1,580,350
Less dividends received	1,036,101	1,061,462	1,030,603	978,375
Equity in undistributed net income	$4,127,824	$2,218,445	$2,633,723	$601,975

OTHER INVESTMENTS

Table 2-27 shows that 256 companies presented captions for investments other than those encompassed by *Opinion No. 18.* If the investment account was not combined with other items on the balance sheet, the terminology most often used was *investments* or *other investments.*

ADAMS-MILLIS CORPORATION
Other Assets

Stock of Certron Corp., at cost—Note G	$ 743,750
Miscellaneous	473,383
Total Other Assets	$1,217,133

Note G: Extraordinary charge—The extraordinary charge resulted from the sale of substantially all the operating assets relating to the computer tape business of the MAC Panel Division in exchange for 125,000 shares of Certron Corp. Common Stock.

TABLE 2-27 OTHER INVESTMENTS

	1970	1969	1968
Basis of valuation set forth:			
Investments (Other investments, etc.) at cost	55	52	38
Investments described (e.g. real estate, securities, etc.) at cost	37	53	30
Investments carried at cost, but market value is disclosed parenthetically	17	22	31
Investments carried at cost or below cost (less reserve)	28	33	30
Investment combined with other items, at cost	21	19	19
Other	8	6	1
Subtotal	166	185	149
Basis of valuation not set forth:			
Investments, Other Investments, etc.	34	29	54
Investments described	13	13	14
Investments combined with other items on balance sheet	66	87	74
Subtotal	113	129	142
Total Presentations	279	314	291
Number of Companies			
Presenting a caption for other investments	256	257	263
Not presenting such a caption	344	343	337
Total	600	600	600

BURNDY CORPORATION

Investments and Other Assets—at cost (Note 3)	$ 3,509,266

Note 3: Investments and Other Assets—Investments and other assets include $1,621,000 of land and condominium apartments carried at cost less $100,000 allowance for losses and $1,108,000 consisting of investments in three less than majority owned foreign companies carried at cost.

CENTURY ELECTRIC COMPANY
Other Assets

Municipal bonds—at cost and accrued interest	$ 456,933

EMHART CORPORATION
Investments:

Monsanto Company common stock—at quoted market value at date of acquisition (quoted market value $2,981,000 in 1970)	$ 3,196,000

JOHNS-MANVILLE CORPORATION

Real Estate held for investment (at cost)	$ 5,264,000

LESLIE SALT CO.

Real Estate Development—At cost (Note 3)	$ 19,182,000

Note 3: Real Estate Development—The real estate development includes two adjacent parcels of land in Redwood City, California. At December 31, 1970 the Redwood Peninsula parcel, which is owned by Leslie Properties, Inc., a wholly-owned subsidiary, included 56 acres of fully-developed lots and 1,111 acres of partially developed land. The Bair Island parcel is owned by Leslie Salt Co. and includes 2,751 acres of raw land. Redwood City General Improvement District 1-64 was formed in 1964 to issue bonds to finance a portion of the cost of the development of the two parcels. The district has sold $16,225,000 of bonds to date. The district levies taxes on real estate in the two parcels to obtain funds for payment of interest and repayment of principal on bonds outstanding and on additional bonds which may be issued in the future.

The accounting practice has been to capitalize carrying costs (property taxes and interest) and development costs on Redwood Peninsula where development has begun, but not on Bair Island where no development has yet taken place. The total carrying costs amounted to approximately $2,300,000 in 1970 and $1,600,000 in 1969 of which $1,730,000 and $1,170,000 respectively were capitalized.

Progress of the development was delayed from August, 1969 to September, 1970 because of the suspen-

sion of mortgage insurance by the Federal Housing Authority. As a result of this delay, and because of increased carrying costs and other economic factors, management considers that major financing must be arranged before the land development program can be continued. A real estate consulting firm is conducting negotiations with potential lenders, joint venturers, or purchasers.

The amount to be ultimately realized on the investment in the project, either through the continuation of the development or through disposition, depends on future events and cannot be accurately estimated at this time. If the development is sold, both parcels will be treated as a unit because of their interrelationship under the Improvement District, and based on the offering prices and the costs to December 31, 1970, a gain of $5,650,000 (before income tax effect) would be realized on Bair Island, and a loss of $5,450,000 (before income tax effect) would be incurred on Redwood Peninsula. The gain or loss from disposition of the development will be recognized at the time of sale.

Fully developed lots continue to be sold to builders. No gain has been recognized on the sales of developed lots in 1970 and 1969.

PHELPS DODGE CORPORATION

Investments, at cost—page 23 .... $ 117,937,938

Investments—(page 23)

	December 31, 1970		
Stocks listed on exchanges	Shares	Cost	Market
Amerada Hess Corporation			
$3.50 preferred stock	70,000	$3,297,840	$7,210,000
American Metal Climax, Inc.			
Common stock	772,500	2,732,002	25,975,000
Totals		6,029,842	$33,185,000

Other securities, and loans and advances	
Southern Peru Copper Corporation	
Capital stock (16%)	5,216,000
Western Nuclear, Inc.	
Common stock (26%) and warrants	13,331,403
Aluminum Program Loans	
Alumina Supply	36,927,072
Conalco	17,839,417
Manufacturing interests abroad	21,683,530
Miscellaneous	16,910,674
Totals	$117,937,938

TABLE 2-28: NONCURRENT RECEIVABLES

Terminology Used*	1970	1969
A: "Notes Receivable"	48	43
B: "Accounts Receivable," or "Receivables"	16	15
C: "Long-Term Receivables"	30	31
D: Notes and accounts receivable combined	20	18
E: Due from employees	13	9
Sundry captions	47	30
F: Caption combined with other investments, deposits, other assets, etc.	116	126
Total	290	272
Number of Companies		
Presenting noncurrent receivables	256	240
Not presenting noncurrent receivables	344	360
Total	600	600

Refer to Company Appendix Section—A: 75, 140, B: 69, 73, 455; C: 21, 165, 429; D: 59, 108, 531; E: 173, 366, 381; F: 80, 111, 255, 437, 545, 594.

NONCURRENT RECEIVABLES

Chapter 3, Section A, of *Accounting Research Bulletin No. 43* states that the concept of current assets excludes "receivable 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". Table 2-28 summarizes the terminology used to describe noncurrent receivables. Examples of noncurrent receivables are shown below.

Opinion No. 21— Interest on Receivables and Payables, issued in August 1971 and effective for transactions entered into after September 30, 1971, requires the imputation of a realistic interest rate to long-term receivables not bearing interest or bearing an interest rate lower than the prevailing rate.

AEROSOL TECHNIQUES, INCORPORATED

Other Assets

Notes Receivable—Note C	$ 272,286

Note C: Notes Receivable—As at September 26, 1970, long-term notes receivable comprise the following:

Note receivable—officer, collateralized by a collateral assignment of life insurance policies (a)	$216,000
Note receivable—due $10,000 each year commencing April 1, 1971 with interest at the rate of 8% per annum, collateralized by real estate (b)	50,000
Note receivable—other	16,286
	282,286
Less: Current portion due within one year	10,000
	$272,286

(a) 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.

(b) Arising from sale of idle plant in 1970.

THE AMERICAN DISTILLING COMPANY

Accounts receivable—miscellaneous (Note 2)	$ 602,728

Note 2: Accounts receivable—Miscellaneous—During its years ended in 1965 and 1968 through 1970 the Company offered to make advances to its employees for the purpose of buying shares of its common stock. At September 30, 1970 certain of those employees who had elected to borrow under the offers owed the Company $330,836 on such accounts. At September 30, 1970 the Company had advanced to two of its Officers, who are not Directors, a total of $51,862.

ARMSTRONG CORK COMPANY

Long-term notes receivable (note 2)	$38,958,000

Note 2: Long-term notes receivable—Long-term notes receivable, including installments due currently, are as follows at December 31, 1970:

	Current (000)	Noncurrent (000)
9½% subordinated note of Kerr Glass Manufacturing Corporation with annual installment payments of $2,500,000 due 1976 to maturity in 1987	$ --	$30,000
8% subordinated note of North Lime Corporation due in annual installments based on earnings of North Lime. Voluntary prepayments by North Lime Corporation have satisfied scheduled payments into 1973. Future minimum annual payments range from $73,000 remaining in 1973 to $1,225,000 in 1984	--	5,000
Other	327	3,958
	$ 327	$38,958

During the year a new subordinated note was negotiated with Kerr Glass Manufacturing Corporation ("Kerr") and substituted for the note of that corporation held by the company, which increased the interest rate from 7% to 9½% but extended the principal payment dates. In addition, the new note provides for mandatory prepayments beginning March 31, 1977, dependent upon Kerr's earnings. Failure of Kerr to meet certain earnings tests may result in deferment of the payment of interest or principal, or both, on the new note.

CHERRY-BURRELL CORPORATION

Long-term notes receivable (less current portion included above)	$ 267,484

CONSOLIDATED FOODS CORPORATION

Other Assets

Accounts and notes receivable due after one year	$14,307,662

GULF OIL CORPORATION

	Millions of Dollars
Investments and Long-term receivables (Note 2)	$767

Note 2: Receivables and investments—Current receivables are stated net of allowances for doubtful accounts of $20 million and $14 million at December 31, 1970 and 1969, respectively. Marketable securities are carried at cost which approximates market value. Investments and long-term receivables include amounts with real estate

TABLE 2-29: ADVANCES, DEPOSITS, AND SEGREGATED CASH OR SECURITIES

Purpose*	1970	1969	1968
Acquisition of plant and equipment, expansion, or improvements	16	30	38
Insurance, workmen's compensation, or employee benefits	6	7	8
Other purpose	23	20	17
Purpose not specified	63	64	65
Total	108	121	128
Number of Companies			
Indicating advances, deposits, or segregated cash or securities	93	104	113
Not indicating such account	507	496	487
Total	600	600	600

subsidiaries and associated companies (50% or less owned) of $245 million and $169 million at December 31, 1970 and 1969, respectively, and in 1970 the net receivable under the Bolivian Supreme Decree of $78 million (See Note 13).

Note 13: Bolivia—On October 17, 1969 Gulf's business and assets in Bolivia were seized by the Bolivian government.

In September, 1970 the corporation reached agreement with the Bolivian government with respect to compensating Gulf for its properties in Bolivia seized by that government. The amount of indemnification was established by Supreme Decree on September 10, 1970 and is to be paid without interest over a period of not more than twenty years and is contingent upon exportation of sufficient hydrocarbons from certain fields within that period.

The amounts receivable under the terms of the indemnification decree and other arrangements have been recorded in the 1970 accounts, the effect of which was the recovery of the consolidated net book value of the Bolivian assets plus certain other assets which had been previously written off in the consolidated accounts. The effect of the settlement on net income was not material.

HAMILTON WATCH COMPANY

Accounts receivable, noncurrent portion	$ 724,000

MIRRO ALUMINUM COMPANY

Receivable from officers and employees under employees' incentive stock option plan	$ 52,771

MOHASCO INDUSTRIES, INC.

	(In thousands)
Noncurrent notes receivable (note 3)	$ 5,770

Note 3: Noncurrent Notes Receivable—Of this amount, $3,859,000 represents a mortgage note receivable on which the principal and interest are due in equal quarterly installments of $219,282 to October 1, 1976, which sums are to be applied first to interest and the balance to principal. The properties securing the mortgage note are leased by Mohasco Industries, Inc.; the liability for rentals due over the term of the lease, net of estimated future tax effect, was provided in a prior year. The balance of long-term notes receivables is due principally from the purchasers of the New Bedford Rayon Division and the Puerto Rico properties.

ADVANCES, DEPOSITS AND SEGREGATED CASH OR SECURITIES

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 2-29. Examples of such assets follow.

Acquisition of Plant and Equipment, Expansion or Improvement

ALLIED MILLS, INC.

Funds held by trustee for construction (Note B)	$ 3,212,960

Note B (in part): *Long-term debt*—In 1970, the company entered into a lease agreement in connection with the construction of a new plant. The cost of construction is being financed through Industrial Development First Mortgage Revenue Bonds issued by the lessor in the amount of $3,500,000, and unexpended funds during the period of construction are being held by a trustee. The company has an option to acquire the plant beginning in 1982, and the transaction has been accounted for as a purchase.

CUMMINS ENGINE COMPANY, INC.

Investments and Other Assets:	
Unexpended proceeds of 8⅞% sinking fund debentures (Note 6):	
Marketable securities and time deposits reserved for plant expansion, at cost and same as market	$21,860,600
Subscriptions receivable	3,012,485
Investments and advances, principally in partially owned international companies	2,269,376
Deposits in, and escrow funds for acquisition of international bank (Note 1)	3,003,842
Receivables due beyond one year, etc.	2,756,592
Total investments and Other Assets	$32,902,895

Note 1 (in part): Consolidation— In October, 1970, Cummins International Finance Corporation, a wholly owned subsidiary of Cummins, agreed to acquire the stock of Banque Des Transactions Internationales SA, of Geneva, Switzerland, for cash and has deposited the purchase price ($1.7 million) in escrow. Completion of

the acquisition is contingent upon the approval of the Swiss Federal Banking Commission.

Note 6 (in part): *Long-term debt*—In October, 1970, Cummins sold $30,000,000 ($3,050,000 to be delivered and proceeds collected in April, 1971) principal amount of 8⅞% Sinking Fund Debentures due 1995. With certain restrictions, the Debentures may be redeemed at any time in whole or in part, by Cummins at 107.645% of the principal amount to October 15, 1971, and at declining premiums to 1990 and thereafter at the principal amount. The indenture provides for minimum annual sinking fund payments of $1,950,000 starting in 1981.

EXTENDICARE, INC.

Deferred charges and other assets:

Undisbursed construction and other restricted funds .... $ 1,989,024

ST. REGIS PAPER COMPANY

Other Assets:

Advance payments under timber-purchase contracts .... $ 19,300,000

UNITED STATES STEEL CORPORATION

Marketable securities, at cost (approximates market), set aside for plant and equipment additions and replacements $ 255,000,000

Insurance, Workmen's Compensation or Employee Benefits

THE AMERICAN SHIP BUILDING COMPANY

Investments and Other Assets:

U.S. Treasury Bonds, pledged with U.S. Department of Labor in connection with workmen's compensation guarantees, at amortized cost (quoted market—$254,187) .... $ 277,075

SEARS INDUSTRIES INC.

Securities (on deposit with the State of New York Workmen's Compensation Board)—at cost .... $ 225,665

SCOVILL MANUFACTURING COMPANY

Investments and Other Assets:

Insurance deposits and sundry other assets .... $ 3,915,000

Other Purposes

COLONIAL STORES INCORPORATED

Sinking fund for retirement of cumulative preferred stock (Note 2) .... $ 9,770

Note 2: *Preferred stock*—Preferred stock is redeemable at par value and accrued dividends, and is retired through the sinking fund at the rate of 1,200 shares annually. Sinking fund requirements for 1970 and 1971 have been met.

CUTLER-HAMMER, INC.

Investments and Other Assets:

Time deposits in foreign banks reserved for foreign operations .... $ 4,450,000

HAZELTINE CORPORATION

United States Government securities at cost plus accrued interest held by Trustee under Supersedeas Appeal Bonds (Note 1) .... $ 2,600,000

Note 1 (in part): Enforcement of the District Court judgments against Hazeltine Research, Inc. has been stayed by orders of the District Court in 1965, pursuant to which Hazeltine Research, Inc. executed Supersedeas Appeal Bonds. Under these bonds, Hazeltine Research, Inc. deposited with The Northern Trust Company, Chicago, Illinois, as Trustee, as security for its possible liability, all of its patents and U.S. Government securities in the amount of $2,600,000, said deposited assets to be held by the Trustee until the judgments are either affirmed or modified and satisfied, or finally reversed or vacated. Under the bonds, Hazeltine Research, Inc. is permitted to administer its own patents and to collect the income from the patents and securities deposited by it, while its assets are held by the Trustee. The orders of the District Court staying enforcement of said judgments required that Hazeltine Research, Inc. pay no dividends during the pendency of such stay orders. The Supersedeas Appeal Bond and Stay Order provisions remain in full force and effect as to Hazeltine Research, Inc.

PHOENIX STEEL CORPORATION

Cash, Restricted funds in escrow (Note 2) $ 4,036,340

Note 2: *Cash, restricted funds in escrow*—The restricted funds in escrow are held by the Trustee under the indenture securing the Industrial Revenue bonds. Such funds represent debt service reserves and retainages on construction cost as follows:

	December 31	
	1970	1969
Debt service reserves	$3,431,237	$3,371,249
Retainage for plant modernization program	605,103	615,886
	$4,036,340	$3,987,135

TABLE 2-30: CASH SURRENDER VALUE OF LIFE INSURANCE

Disclosure	1970	1969	1965	1960
Amount separately set forth	32	32	38	63
Other disclosure	9	6		
No such asset disclosed	559	562	562	537
Total companies	600	600	600	600

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 2-30.

The examples which are provided below illustrate the methods used in the financial statements to present cash surrender value of life insurance policies. Among the examples presented below, American Building Maintenance Industries and Portec, Inc. are noteworthy. While it is a general principle of accounting that the offsetting of assets and liabilities in the balance sheet is improper, there are exceptions to this principle. Loans secured by the cash surrender value of an insurance policy may be offset against the cash surrender value where the intent is to repay the loan with the proceeds of the insurance policy (See Accounting Research Bulletin No. 43, Chapter 3, paragraph 7, footnote 3).

AMERICAN BUILDING MAINTENANCE INDUSTRIES

Investments and Long-term receivables:

Cash surrender value of life insurance, net of policy loans payable—1970,$876,042 ... $ 128,124

ASSOCIATED PRODUCTS, INC.

Investments and Other Assets:

Advances secured by life insurance policies (Note 3) ... $ 211,961

Note 3: Advances secured by Life Insurance policies

The company pays premiums on certain life insurance policies on the life of its president, but only to the extent fully covered by their cash surrender value. The company is the owner and beneficiary of such policies to the extent of their aggregate advances which amounted to $211,961 at May 31, 1970.

GOLDBLATT BROS., INC.

Cash surrender value of life insurance (face amount $820,849) (Note 1) and other investments ... $ 649,190

Note 1: The company has agreed with an officer that upon his demise, it will, upon request, lend to the estate of such officer an amount not to exceed the face value ($520,849) of the life insurance policies owned by the company on the life of such officer. This loan, if made, would be evidenced by a ten-year noninterest-bearing note secured by common shares of the company or other marketable securities.

HON INDUSTRIES INC.

Investments, cash value of life insurance (Note 5A) ... $ 130,463

Note 5A:— Stock Redemption Agreement— The Company owns $600,000 of ordinary life insurance on C. Maxwell Stanley and $350,000 of ordinary life on Stanley M. Howe. Stock redemption agreements between the Company and these officers provide for the purchase from their estates, at market value, common stock equal to the amount of life insurance owned. Under certain conditions, either the Company or the estate may be able to terminate the agreement or to reduce the number of shares to be redeemed.

PORTEC, INC.

Investments and Other Assets:

Other assets and deferred charges (Note 3) ... $ 325,935

Note 3 (in part): *Long-term debt*—The Company had ordinary loans outstanding in the aggregate amount of $287,633 at December 31, 1970 against cash surrender values of life insurance policies. The interest rate varies from five percent to six percent per annum. The Company has no present intention of repaying such loans or of cashing the surrender values on these policies. The net cash surrender value, after deduction of above loans, was $48,384 and is included under other assets and deferred charges on the balance sheet.

INTANGIBLE ASSETS

The subject of accounting for intangible assets is discussed in *Accounting Research Bulletin No. 43* (Chapter 5), as modified by *Opinion No. 9—Reporting the Results of Operations*, and in *Opinion No. 17—Intangible Assets. Opinion No. 17* states in part:

> 33. The provisions of this Opinion shall be effective to account for intangible assets acquired after October 31, 1970. Intangible assets recognized in business combinations initiated before November 1, 1970 and consummated on or after that date under the terms prevailing on October 31, 1970 may be accounted for in accordance with this

Opinion or Chapter 5 of ARB No. 43 and APB Opinion No. 9.

34. The provisions of this Opinion should not be applied retroactively to intangible assets acquired before November 1, 1970, whether in business combinations or otherwise.

35. The Board encourages the application on a prospective basis to all intangible assets held on October 31, 1970 of the provisions in paragraphs 27 to 31 of this Opinion which require amortization of all intangible assets. Unless the provisions of this Opinion are 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.

The balance sheets of 334 survey companies disclosed intangible assets, including 163 companies presenting only goodwill. Table 2-31 presents a comparative summary of intangible assets by type and by accounting treatments, while Table 2-32 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 goodwill recognized in a business combination.

TABLE 2-31: INTANGIBLE ASSETS

Type of Asset*	1970	1969	1965	1960
A: Goodwill recognized in a business combination	234	205	92	51
B: Goodwill (source not indicated)	52	65	103	132
C: Patents, patent rights	106	109	132	150
D: Trademarks, brand names, copyrights	59	59	73	98
E: Licenses, franchises, memberships	24	20	19	14
F: Formulae, processes, designs	8	8	17	18
G: Various other	31	24	63	60
Intangible assets (not further described)	43	36	30	23
Total	557	526	529	546
Valuation Basis				
Amortized balance	230	189	167	N/C
Unamortized value	200	169	106	N/C
Amortization policy not indicated	91	112	120	N/C
Nominal value	36	56	136	N/C
Total	557	526	529	
Number of Companies				
Presenting intangible assets	334	309	346	345
Not presenting intangible assets	266	291	254	255
Total	600	600	600	600

N/C—Not compiled.

Refer to Company Appendix Section—A: 26, 53, 207, 479, 649, 675; B: 33, 230, 657, 720; C: 8, 154, 230, 303, 689, 713; D: 103, 251, 323, 447; E: 177, 423; F: 135, 454; G: 531, 600, 690.

TABLE 2-32: VALUATION OF INTANGIBLES

Type of Asset	Total	Amortized Balance	Unamortized Value	Nominal Value	Not Determinable
Goodwill recognized in a business combination	234	47	148	–	39
Goodwill (source not indicated)	52	13	18	11	10
Patents, patent rights	106	72	6	12	16
Trademarks, brand names, copyrights	59	26	13	9	11
Licenses, franchises, memberships	24	17	3	1	3
Formulae, processes, designs	8	5	2	1	–
Various other	31	22	3	2	4
Intangible assets (not otherwise described)	43	28	7	–	8
Total presentations	557	230	200	36	91

Examples of intangible assets follow.

Goodwill

AIR REDUCTION COMPANY, INCORPORATED

Goodwill, Patents and Trademarks
(net of amortization) (Note D) .... $ 5,009,000

Note D: Goodwill, Patents and Trademarks—Goodwill is being amortized on a straight-line basis over a period of 40 years. Patents and trademarks are valued at $1 for financial statement purposes.

THE AMERICAN SHIP BUILDING COMPANY

Cost in excess of net tangible assets of businesses acquired, less amortization (Note 3) .... $ 1,004,020

Note 3: Acquisitions—In November, 1969, the Company acquired Whale Steel, Inc. whose sole asset was a 100% ownership of Nashville Bridge Company, for $1,250,000 and a note for $1,250,000 payable on October 1, 1970, and in addition, the Company guaranteed the $10,000,000 bank term loan referred to in Note 4. In April and May, 1970, the Company acquired, in separate transactions, all of the outstanding stock of two other companies for a combined cash purchase price of $940,000. The operations of these companies have been included in the accompanying financial statements from the respective dates of acquisition. The excess of the respective purchase prices over the fair value of tangible assets acquired is being amortized to operations over a 40-year period.

GENERAL MOTORS CORPORATION

Goodwill – less amortization of $6,344,246 in 1970	$ 57,098,219

Notes to Financial Statments

Goodwill – Goodwill represents the difference between the purchase price and the value ascribed to net tangible assets of businesses acquired in 1943 and prior years and, beginning in 1970, is being amortized in accordance with the recommendation of the Accounting Principles Board. The period of amortization will be ten years.

KATHOL PETROLEUM, INC.

Deferred charges and other assets (Note 5)	$ 361,099

Note 5: Deferred charges and other assets –

Notes and accounts receivable, non current	$ 46,254
Unamortized debt discount	17,424
Patents, net of amortization	69,259
Goodwill, net of amortization (Note 1)	190,328
Other	37,834
	$361,099

Note 1 (in part): All of the outstanding capital stock of Flexweight Corporation was acquired as of November 1, 1969, in exchange for 36,985 shares of the common stock of Kathol Petroleum, Inc., which was valued at $7 per share. The Company also agreed to issue additional shares of stock as of October 31, 1972, in accordance with a formula included in the closing agreement in the event that the net income for the three years ending that date exceeds $51,778 which is three times the net income for the fiscal year ended October 31, 1969. Goodwill acquired in connection with the acquisition, amounting to $198,560, is being amortized over a twenty year period. Flexweight Corporation is engaged in the manufacture, sale and repair of flexweight drill pipe and pipe couplings with facilities located at Great Bend, Kansas.

W. R. GRACE & CO.

Other Assets – Note 1	
Goodwill, less amortization of $7,379,000	$ 46,509,000

Note 1e (in part): *Acquisitions* – In 1970 several businesses were purchased for approximately $11,000,000 in cash. The results of operations of these businesses are not considered material in relation to the consolidated earnings of the Company. It is the Company's policy to amortize goodwill arising from acquisitions accounted for as purchase transactions on the straight line basis over estimated useful lives, not in excess of forty years.

NATIONAL CAN CORPORATION

Intangibles, excess of cost over net assets of acquired companies (Note B)	$ 10,698,195

Note B (in part): *Acquisition of Companies* – In 1969, the Corporation purchased the net assets and business pertaining to the manufacture of glass containers for $9,100,000. In August 1970, the Corporation purchased the net assets and business of two companies engaged in the sale of glass, metal and plastic containers for 78,466 shares of Common Stock and under certain conditions the Corporation may be required to deliver up to 63,282 additional shares of Common Stock. These acquisitions have been accounted for as purchases. The Corportion believes that the excess of cost over the fair value of net assets acquired in these transactions in 1969 and 1970 (approximately $3,240,000) is of such nature that no diminution in value is expected in the foreseeable future, and accordingly, the Corporation does not intend to amortize this intangible.

WYANDOTTE INDUSTRIES CORPORATION

Excess of cost of assets acquired over their assigned value (note 2)	$ 1,774,400

Note 2: Principles of Consolidation – The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All material intercompany accounts and transactions have been eliminated.

The excess of cost of assets acquired over their assigned value, which arose primarily from the purchase of Allen Knitting Mills, Inc., in 1967, is not being amortized, since in the opinion of management there has been no diminution of value since acquisition. Under the terms of the purchase agreement, the Company is required to make additional payments to the prior owners of Allen Knitting Mills, Inc., based upon earnings, as defined, through 1972. The estimate of this liability has reflected in the accompanying consolidated balance sheet.

The Company is also contingently liable based upon future earnings to the former owners of other subsidiary

companies under additional purchase agreements. At November 30, 1970, management estimates that future payments under these agreements will not be significant.

Other Intangible Assets

ARMOUR AND COMPANY

Investments and other assets	Dollars in Thousands
Intangibles (note J)	$9,549

Note J (in part): *Depreciation and Amortization*—Intangible assets, representing the unamortized cost of trademarks, trade names, etc., are amortized on a straight-line method over a period of forty years.

KINNEY NATIONAL SERVICE, INC.

Other assets:	Thousands of dollars
Music copyrights, artists contracts and distribution rights at cost, less accumulated amortization (1970— $7,642) (Note 10)	$26,892
Excess of cost over net assets of businesses acquired, less accumulated amortization (Note 10)	36,607

Note 10: Amortization policy—Music copyrights, artists contracts and distribution rights in the amount of $29,856,000 are being amortized over a ten to fifteen year period, and $816,000 over a two to five year period; $3,862,000 is not being amortized until such time as the value thereof may become impaired.

Excess of cost over net assets of businesses acquired in the amount of $33,691,000 is not being amortized because, in the opinion of management, there has been no decrease in value.

OXFORD INDUSTRIES, INC.

Other Assets	
Patents and non-compete agreement—at cost, being amortized (Note A)	$ 1,470,933

Note A (in part): *Acquisition of Businesses*—The business and net assets of two business products concerns were purchased during the year for $3,842,754, consisting of $2,346,354 paid in cash, $1,496,400 in Oxford common stock (98,800 shares acquired in October 1969 as treasury stock and 1,200 shares which were purchased and delivered after May 31, 1970). The assets purchased included $500,000 for patents which are being amortized over the remaining terms thereof. In addition, the Company obtained from the selling corporation and certain of its officers and directors an agreement not to compete. Under this agreement the Company has an obligation to pay an aggregate amount of $1,000,000 cash in eight equal semi-annual installments of $125,000 each beginning October 1, 1971. This amount is being written off over the ten year term of the no-competition agreement which expires March 31, 1980.

THE RUCKER COMPANY

Patents, Goodwill and Other Intangibles, net (Note 7)	$ 2,556,333

Note 7: Intangible Assets—The patents, goodwill and other intangible assets are summarized as follows:

	1970	1969
Patents	$1,935,141	$1,924,117
Goodwill	1,246,967	1,147,252
Other intangibles	183,333	187,943
	3,365,441	3,259,312
Accumulated amortization	809,108	564,939
	$2,556,333	$2,694,373

Patents and other intangibles are being amortized by the straight-line method on the basis of their estimated useful lives. Goodwill is being amortized by the straight-line method over 25 years. The amortization expense for 1970 and 1969 was $258,112 and $266,830, respectively.

SCOPE INDUSTRIES

Other Assets:	
Franchises, contracts and other intangibles, at cost less accumulated amortization of $223,247 (Note 6)	$259,740

Note 6 (in part): *Depreciation, Depletion and Amortization*—The Company computes depreciation of drilling and all other equipment on the straight-line method. Depreciation of buildings is computed on the declining balance method and depreciation, depletion and amortization applicable to oil and gas properties and equipment is on a unit-of-production method based upon estimated oil and gas reserves of the related properties Franchises, contracts and other intangibles are amortized on the straight-line method over five to forty years, except that the amount of the asset and related amortization are removed from the accounts when the asset ceases to have value.

STANADYNE, INC.

Other Assets:

Patents and licenses, less amortization .. $1,379,000

Notes to Consolidated Financial Statements

Patents and Licenses—During 1970 the Company purchased for cash of $1,400,000 certain patents and rights relating to fuel injection equipment. The purchase price is being written off over the average remaining lives of the patents (approximately 10 years). Amortization during the year 1970 amounted to $48,000.

UMC INDUSTRIES, INC.

Intangible Assets, at cost less amortization (Note 8)	
Patents and trademarks	$ 796,897
Goodwill	412,192
	$ 1,209,089

Note 8: Depreciation and amortization policies—Provision for depreciation of property, plant and equipment has been made principally on a straight-line basis at rates based upon the estimated useful lives of the various assets. Leasehold improvements are amortized over the lesser of the useful lives of the assets or the terms of the applicable leases. The cost of patents granted is amortized over the lives of the patents. Goodwill has been amortized over a period of twenty years from February, 1956 to December 31, 1969; at that date the total amortization period was revised to forty years resulting in a $54,000 reduction of amortization charged to 1970 earnings.

UNITED BRANDS COMPANY (000)

Trademarks and Leaseholds .... $ 46,071

Notes to Consolidated Financial Statements

Note 1 (in part): *Intangibles*—The cost of leaseholds acquired in the amount of $3,117,000 is being amortized on a straight-line basis over estimated remaining lives with $103,000 being amortized in each of the years 1970 and 1969. It is the opinion of the Company that the benefits to be derived from trademarks acquired from United Fruit and its investments in United Fruit and other businesses acquired after December 31, 1968 will be of indefinite duration. Accordingly, the cost of such trademarks and the excess of cost over fair value of net assets of such businesses is not being amortized.

DEFERRED CHARGES AND OTHER ASSETS

Chapter 3, Section A, of *Accounting Research Bulletin No. 43* states that the concept of current assets excludes "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."

TABLE 2-33: DEFERRED CHARGES AND OTHER ASSETS

Classification as to Type*	1970	1969
A: Debt discount or expenses	51	48
Deferred income taxes	44	37
B: Financing or organization costs	16	17
C: Research and development costs	11	16
D: Start-up and tooling costs	23	13
E: Pensions costs	8	10
F: Property held for sale or idle property	17	N/C
G: Prepaid expenses	64	74
H: Other deferred items (described)	12	26
I: Other assets (described)	21	27
Deferred charges (not described)	213	227
Other assets (not described)	372	358
Total Presentations	852	853
Number of Companies		
Having deferred charges or "other assets"	529	521
Not having deferred charges or "other assets"	71	79
Total	600	600

N/C—Not compiled.

*Refer to Company Appendix Section—A: 10, 245, 438; B: 406, 589, 694; C: 247, 288, 528; D: 333, 384, 641; E: 70, 85, 166; F: 59, 183, 258; G: 27, 144, 528; H: 504, 610, 201; I: 364, 653.

Of the 600 survey companies, 529 presented deferred charges or other assets in their 1970 balance sheets. Table 2-33 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*.

The practice of presenting debt discount as a deferred charge, while acceptable for the annual reports included in the survey, will not be acceptable for future years. *Opinion No. 21— Interest on Receivables and Payables,* issued in August 1971, requires that debt discount be presented as a direct deduction from debt.

Examples illustrating the various types of deferred charges and other noncurrent assets, except for deferred income taxes, are shown below. Examples of deferred taxes are presented in connection with Table 3-18.

Debt Discount or Expenses

AMERICAN MOTORS CORPORATION (Dollars In Thousands)

Unamortized Debt Expense (Note E) .... $ 7,651

Note E: Long-term Liabilities—6% Convertible Subordinated Debentures and Stock Purchase Warrants:

During the 1969 fiscal year the Company issued $35,000,000 principal amount of 6% Convertible Subordinated Debentures due October 1, 1988, with detachable Stock Purchase Warrants for the purchase of

875,000 authorized but unissued shares of the Capital Stock of the Company. The Warrants are exercisable at any time on or before October 1, 1976. At September 30, 1970, 3,773,166 shares of Capital Stock were reserved for the possible conversion of the Debentures and exercise of the Warrants at a conversion and exercise price of $12 for each share of Capital Stock. An aggregate value of $8,400,000 has been ascribed to the Warrants and conversion feature of the Debentures. This amount was credited to additional paid-in capital in 1969. The debt discount and related issuance expenses are being amortized over the life of the Debentures.

The Company is required to make prepayments on the Debentures, without premium, of $2,100,000 on October 1 in each of the years 1978 to 1987, and may make optional prepayments, without premium, up to, but not exceeding, the amount of the required prepayments.

ASSOCIATED PRODUCTS, INC.

Investments and Other Assets

Deferred charges:	
Unamortized debt discount and expense (Note 5)	$ 354,336
Future federal income tax benefits (Note 9)	37,400

Note 5 (in part): *Notes Payable*—The company received $5,000,000 from the sale of the aforementioned note and warrants of which $340,200, allocated to the 10 year warrants to purchase 50,000 shares of common stock, was credited to capital surplus. A similar amount, representing discount on the sale of its 7% $5,000,000 note, together with costs aggregating $36,204, was charged to the debt discount and expense account and is being amortized over the 15 year term of the loan.

Note 9 (in part): *Contingencies & Commitments*—Deferred Compensation

The company entered into deferred compensation agreements with certain of its key executives pursuant to which it recorded, at May 31, 1970, a deferred liability of $77,500 and related future federal income tax benefits of $37,400.

Financing or Organization Costs

IOWA BEEF PROCESSORS, INC.

Deferred Financing costs, less amortization of $472,000 at October 31, 1970 (Note H)	$ 3,629,000

Note H (in part): *Long-term obligations*—The Company follows the policy of deferring financing costs and amortizing them on the straight-line method over the life of the debt involved. During fiscal 1970, underwriting costs and the value of detachable warrants, aggregating $3,155,000, were deferred in connection with the issuance of the Secured Bonds.

Research and Development Costs

BOWNE & CO., INC.

Other Assets:

Research and development costs—net (Note 4)	$ 400,297

Note 4: Research and development costs-net—One of the Company's subsidiaries has adopted a policy of deferring costs and expenditures relating to th development of time-sharing programs. As it is management's opinion that such deferred costs will benefit future operations, they will be charged to operations over a three-year period. The current year's amortization was $36,333.

ESSEX INTERNATIONAL, INC.

Deferred research and development costs (Note 3)	$ 1,570,195

Note 3: Deferred Research and Development Costs—The company has a program of long-range research and development. Costs pertaining to this program are deferred and amortized over a three year period beginning in the succeeding year. Amortization for 1970 amounted to $371,200.

THE SIGNAL COMPANIES, INC.

Other Assets;

Deferred charges:	
Development costs	$ 6,407,000

Note 4: Development costs—Development costs, $6,407,000 at December 31, 1970, represent the remaining costs of large development programs, principally aircraft turbine engines, with a relatively long-term development period which The Garrett Corporation (a wholly-owned subsidiary) commenced deferring in 1969. Such remaining deferred costs, and additional costs expected to be incurred in the future, are to be amortized on a unit basis at the time products are sold.

Under present economic conditions, which have resulted in a stretch-out in the estimated demand for products being developed, and because of increasing costs of development, management deemed it appropriate as of December 31, 1970 to reduce costs accumulated on such programs by $51,255,000 (before related income tax credits of $18,834,000) and to defer only $6,407,000 at that date.

Start-Up and Tooling Costs

CROWN CENTRAL PETROLEUM CORPORATION

Deferred charges:
Start-up costs (Note D) .... $ 2,643,425

Note D: During the first half of 1970 when the new refinery units were put into operation, substantial start-up costs were incurred. Such costs totaling $3,528,515 have been deferred and are being amortized over a period of 24 months beginning July 1, 1970. Since the start-up costs have been deducted for income tax purposes in 1970, deferred income taxes relating to the unamortized balance of $2,643,425 have been provided.

MAULE INDUSTRIES, INC.

Other assets and deferred charge .... $ 1,210,388

Notes to Financial Statements

Note 5: Deferred Start-Up Costs—The company has elected to capitalize certain start-up costs incurred during the initial production period of the new cement plant. The costs are being amortized on a straight line basis over a period of sixty (60) months; amortization beginning in 1970 amounted to $49,823. The unamortized cost of $327,900 at December 31, 1970 is included in other assets and deferred charges on the accompanying balance sheet.

Pension Costs

INSILCO CORPORATION

Deferred charges (Note 3) .... $ 3,508,000

Note 3 (in part): *Deferred charges and other assets*—Deferred charges at December 31, 1970 comprise principally unamortized balances of $1,138,000 of pension costs, $1,217,000 of expenses relating to issuance of long-term debt and $976,000 of relocation and start-up costs applicable to future operations of new manufacturing facilities and processes. The deferred pension costs arose from advance funding of prior service costs after adoption of the Company's hourly pension plan in 1961. Amortization of deferred charges, estimated at $469,000 for 1971, is provided for on a straight-line basis with periods remaining ranging from eighteen to twenty-four years for the pension and debt issue expenses and from two to four years for the other deferred charges.

A. O. SMITH CORPORATION

Other Assets.
Prepaid pension costs (Note 2) .... $ 3,600,000

Note 2: Retirement plans—The Company and its consolidated subsidiaries have non-contributory pension plans covering substantially all employees. Total pension expense for 1970 and 1969 was $3,830,000 and $4,115,000, 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 exceeds the assets of related trusts by $22,600,000 as of December 31, 1970), 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.

Property Held for Sale or Idle Property

CURTISS-WRIGHT CORPORATION

Property held for sale, at net realizable value .... $ 5,814,540

Other—Described

DIAMOND LABORATORIES, INC.

Other assets (Notes 5 and 7) .... $ 392,776

Note 5 (in part): *Other assets-noncurrent*—An agreement executed in connection with a trade account receivable from Diamond Laboratories (Canada) Ltd., provides for repayment based on purchases from the company and its subsidiaries and on the annual net profit of Diamond Laboratories (Canada) Ltd. Final payment is due in 1976. The agreement contains various provisions regarding security of the account, among which is the personal guarantee of the stockholders of Diamond Laboratories (Canada) Ltd. The noncurrent amounts for 1970 and 1969 were $129,392 and $142,333, respectively.

THE NATIONAL CASH REGISTER COMPANY
Financial Review
Earnings (in part)

The Company charges current operations with all research, engineering, product development, sales and service training and software development expenses. With respect to NCR Century Series computer systems, the company defers that portion of the marketing costs represented by advance compensation paid to certain domestic field employees, since this expense relates to future rental income. This cost, which at December 31, 1970, amounted to $9,468,000 ($7,556,000 in 1969) after tax, is being amortized over the initial period of the applicable rental installations.

TABLE 2-34: SHORT TERM DEBT

Description	1970	1969
Notes or loans		
Payee indicated	234	224
Payee not indicated	290	281
Commercial paper	20	N/C
Other	20	N/C
Total Presentations	564	505
Number of Companies		
Showing short term debt	476	456
Not showing short term debt	124	144
Total	600	600

CURRENT LIABILITIES

Paragraphs 7 and 8 of Chapter 3A of *Accounting Research Bulletin No. 43* discuss the nature of current liabilities. Examples of the various types of current liabilities follow.

Short Term Debt

Table 2-34 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 2-38.

AMERICAN BEEF PACKERS, INC.

Current liabilities:	
Notes payable under financing agreement (Note 2)	$ 13,739,816
Notes payable to banks (Note 2)	702,244
Current portion of long-term debt	608,919
Drafts in transit (Note 2)	753,700
Excess of checks outstanding over balance in bank account	506,041

Note 2: Assigned assets—Substantially all trade accounts receivable and inventories are assigned as collateral for the notes payable on financing agreement, the notes payable to banks and the drafts in transit.

AVCO CORPORATION

Liabilities and Stockholders Equity

	(Thousands of dollars)
Notes payable	
Banks	$ 19,179
Commercial paper	6,949
Long-term debt installments due within one year	23,076
Other, secured by real estate inventories	48,480

BELDING HEMINWAY COMPANY, INC.

Current Liabilities:	
Short term borrowings	$ 6,640,000
Current installments of long-term debt	724,000
Accounts payable	4,146,000
Banker's acceptances payable (Note D)	423,000

Note D: Banker's acceptances payable are collateralized by trust receipts covering merchandise or the proceeds from the sale thereof. To the extent that the merchandise covered by these trust receipts had been sold as at December 31, 1970, then the trust receipts relate to indeterminate resultant accounts receivable or cash (where cash payments thereon have been made by customers).

COLGATE-PALMOLIVE COMPANY

	Thousands of Dollars
Current Liabilities	
Bank loans of foreign subsidiaries	$ 22,613

FAS INTERNATIONAL, INC.

Current liabilities	
Notes payable (Note 4)	$ 13,794,188

Note 4: Notes payable—

Banks (a)	$10,505,188
G.A.C. Consumer-Management Services, Inc. (b)	3,090,000
Other (c)	199,000
	$13,794,188

(a) Includes notes of $5,400,000 payable to domestic banks with interest at the prime rate. The balance ($5,105,188) consists of notes payable to foreign banks and the use of overdraft facilities with interest generally above the prime rate. $2,602,447 of foreign notes and overdrafts are collateralized by $2,792,530 of accounts receivable.

(b) During the year the Company entered into an agreement with G.A.C. Consumer-Management Ser-

vices, Inc. (G.A.C.) for financing a portion of its domestic enrollments previously financed through banks. G.A.C. made loans to the Company with student contracts pledged as collateral as opposed to the sale of such contracts to banks. At September 30, 1970 loans of $3,090,000 were secured by student contracts of $8,621,000.

(c) The Company has the option to pay this note in cash or shares of its common stock based on the fair market value of such shares at the payment date.

GIDDINGS & LEWIS, INC.

Current liabilities:	
Notes payable—banks	$12,500,000
Loans and overdrafts of overseas subsidiary	4,093,735

HARNISCHFEGER CORPORATION

Current Liabilities	
Notes payable to banks—	
Secured	$ 735,450
Unsecured	46,000,000
Current installments on long-term debt	2,370,000
Trade accounts payable	7,658,860
Other accounts payable and accrued liabilities	5,638,238
Accrued payrolls and pension contributions	3,608,681
Federal, state and foreign income taxes	1,000,379
	$67,011,608

MSL INDUSTRIES, INC.

Current Liabilities:	
Short-term debt	$ 693,000
Current maturities of long-term debt and notes payable	1,991,000
Bank drafts secured by import inventory	1,273,000

PULLMAN INCORPORATED

Current Liabilities:	
Notes payable—	
Domestic banks	$ 46,780,000
Bearer commercial paper	16,330,000
Other	7,095,000

SEABOARD ALLIED MILLING CORPORATION

Current Liabilities:	
Notes payable	
Banks	$ 9,990,000
Affiliates	530,000
Parent company	785,000
Other	403,373

SEARS INDUSTRIES INC.

Current Liabilities:	
Notes payable—banks	$ 1,100,000
Accounts payable and accrued	7,790,275
Long-term debt due within one year	1,396,432
Federal income and other taxes	1,662,044
Due to factor	1,117,571

SPENCER SHOE CORPORATION

Current Liabilities:	
Notes Payable	$ 4,765,499.84
Liability to Finance Company—Secured	1,788,285.80
Current Maturities—Long-term debt	1,177,309.25
Accounts Payable	6,339,953.50
Accrued Taxes	1,120,524,96
Other Accrued Liabilities	576,178.85
Total current liabilities	$ 15,767,752.20

Notes to Consolidated Financial Statements

Note 5: Secured Liability—One of the Subsidiary Companies finances its operations by means of secured borrowings from a Finance Company on assignment of Accounts Receivable, lien on Inventories and mortgages on Machinery and Equipment. At May 30, 1970 the borrowings were: $1,299,741.11 on Assigned Accounts Receivable, $342,654.69 on Inventories and $145,890.00 on Machinery and Equipment. The security for these borrowings was $1,483,465.25 on Assigned Accounts Receivable (net of $484.213.87 collections not remitted), Inventories $1,714,906.36 and Machinery and Equipment $1,420,443.09 subject to prior liens.

UNITED FOODS, INC.

Liabilities	
Current	
Notes payable, including current maturities on long-term debt:	
Collateralized by inventories and accounts receivable	$ 8,433,771
Collateralized by fixed and other assets	984,542
Unsecured	501,142

WYANDOTTE INDUSTRIES CORPORATION

Current liabilities:	
Notes payable to banks—unsecured (7½-9¼% in 1970)	$1,800,000

Trade Creditors

Table 2-35 summarizes the captions used to describe liabilities due trade creditors.

AIR PRODUCTS AND CHEMICALS, INC.

Current Liabilities	
Bank Obligations and other notes payable	$ 7,722,000
Accounts payable and customers advances	36,751,000

TABLE 2-35: CURRENT LIABILITIES— TRADE CREDITORS

Description*	1970	1969	1968
A: Accounts payable, payables, trade payablès, etc. in a separate caption	369	360	368
B: Accounts payables combined with accrued liabilities or accrued expenses	212	209	214
C: Other captions	19	31	18
Total	600	600	600

*Refer to Company Appendix Section—A: 18, 85, 439, 679; B: 1, 10, 147, 570, 714; C: 60, 502, 615.

ESSEX INTERNATIONAL, INC.

Current Liabilities:

Notes payable	$ 1,000,000
Dividends	3,032,691
Accounts payable and customers' deposits	28,894,410

W. R. GRACE & CO.

Current Liabilities	(In Thousands)
Loans payable	$ 171,835
Accounts and acceptances payable	199,578

JOHNS-MANVILLE CORPORATION

Current Liabilities

Notes and accounts payable	$ 26,927,000

SCOTT PAPER COMPANY

Current Liabilities	(Thousands of Dollars)
Payable to suppliers and others	$ 65,966

STANDARD MOTOR PRODUCTS, INC.

Current Liabilities

Accounts payable—trade	$ 4,553,768

WHITE CONSOLIDATED INDUSTRIES, INC.

Current Liabilities

Notes payable to banks	$ 50,000,000
Trade and sundry accounts payable	112,428,449

Liabilities to or for Employees

The captions used by the survey companies to describe liabilities to or for employees are summarized in Table 2-36.

ASSOCIATED PRODUCTS, INC.

Current Liabilities

Notes payable—current installments	$ 2,453,099
Accounts payable	3,697,390
Federal income taxes payable	531,406
Other taxes accrued and payable	292,102
Accrued salaries	370,864
Accrued profit sharing expense	73,182

BEMIS COMPANY, INC.

Current Liabilities

Short-term borrowings	$ 23,326,000
Notes payable within one year	4,503,000
Accounts payable	27,002,000
Accrued salaries and wages	2,250,000

TABLE 2-36: CURRENT LIABILITIES— LIABILITIES TO OR FOR EMPLOYEES

	1970					
Description*	With Other Items	Separately	Total	1969 Total	1968 Total	1960 Total
A: Salaries, wages, payrolls, and/or commissions	41	140	181	183	195	282
B: Withholdings and/or payroll taxes	3	52	55	31	39	87
C: Pension or retirement plan contributions	12	13	25	23	23	N/C
D: Profit-sharing contributions	6	9	15	16	16	6
E: Other captions	10	33	43	44	33	100
Total presentations	72	247	319	297	306	475
Number of Companies Showing						
Liabilities to or for employees			192	186	214	
No such liabilities			408	414	386	N/C
Total			600	600	600	

N/C— Not compiled.

*Refer to Company Appendix Section— A; 6, 39, 317, 367, 373, 399; B: 646, 689, 716; C: 46, 65, 486, 683; D: 32, 389, 718; E: 89, 236, 344, 658.

CYCLOPS CORPORATION

Current Liabilities	(In Thousands of Dollars)
Notes payable to banks	$ 20,250
Current portion of long-term debt	8,200
Accounts payable	17,395
Employment costs	17,453

GENERAL MILLS, INC.

Current Liabilities	(In Thousands)
Notes payable	$ 6,242
Accounts payable and accrued expenses	85,452
Accrued taxes	19,410
Thrift accounts of officers and employees	3,289

W. T. GRANT COMPANY

Current Liabilities	
Short-term notes payable	$ 236,420,216
Bank loans	10,000,000
Accounts payable	80,681,456
Salaries, wages, and bonuses	15,513,737
Taxes withheld from employees compensation	2,863,885

HERFF JONES CO.

Current Liabilities	
Current maturities of long-term debt	$ 538,080
Notes payable—banks	512,331
Accounts payable—trade	580,459
Deposits by customers on orders	1,953,836
Accrued salaries, wages and employees' withholdings	438,257
Accrued commissions	1,896,510

HYGRADE FOOD PRODUCTS CORPORATION

Current Liabilities	
Short-term loans	$ 8,000,000
Current installments on long-term loans	636,000
Trade Accounts and drafts payable	12,941,380
Miscellaneous and accrued liabilities	4,529,054
Separation pay (note 3)	1,067,984

Note 3: Separation Pay—The total liability for separation pay at October 31, 1970 amounting to $2,040,919 includes an arbitration award to employees of a plant closed in an earlier year requiring payment of annual installments 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.

RAYGO, INC.

Current Liabilities	
Mortgages and contracts payable—current portion	$ 13,519
Notes payable bank—unsecured	600,000
Accounts payable	
Trade	466,265
Customer Service	5,790
Other	20,100
Accrued Payroll	85,548
Accrued Taxes	
Payroll	24,514
Real Estate and personal property	17,457
Federal and State income	20,137
Profit-Sharing Contribution Payable—Note 5	116,715

Note 5: Profit-Sharing Plans—The Company and subsidiary provide non-contributory retirement benefits to eligible union and non-union employees under trusteed profit-sharing plans. Contribution expense totaled $99,435 net of a $4,951 reduction in the cost of the subsidiary plan since date of acquisition. The liability at October 31, 1970 on both plans amounted to $116,715.

THE STANDARD REGISTER COMPANY

Current Liabilities	
Notes payable, current installments, plus interest	$ 3,587,380
Trade accounts payable	3,918,733
Accrued salaries, wages and bonuses	2,097,366
Accrued retirement plan contributions (Note 3)	930,955
Accrued and withheld payroll taxes	147,420

Note 3: Pension and retirement plans—There are seven pension and retirement plans covering substantially all of the Company's employees currently in force. The total pension cost for the year was $1,182,924 which includes, as to two of the plans, amortization of prior service costs over 30 years. Unfunded prior service costs of these two plans totalled $2,095,088 at the end of the year. The largest, the Stanreco Retirement Plan, is contributory.

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.

THE L. S. STARRETT COMPANY

Current Liabilities	
Accounts payable and accrued expenses	$ 1,977,199
Accrued Federal, State, Foreign and local taxes	1,870,000
Loans payable— foreign subsidiaries	339,880
Employee deposits for 1967 stock purchase plan	349,104

Notes to Financial Statements

1967 Employees' Stock Purchase Plan—Under the Plan, options for 66,549 shares had been granted and

133,451 shares were unoptioned, as of the beginning of the year. During the year options for 48,779 shares were exercised, options were granted for 83,207 shares and options for 20,426 shares were cancelled. At June 30, 1970 there were outstanding options for 80,551 shares and 70,670 unoptioned shares. The average purchase price of the optioned stock outstanding at the end of the year is either $13.82 per share or 85% of the market price exactly two years from the date the options were granted, whichever is lower.

WINNEBAGO INDUSTRIES, INC.

Current Liabilities	
Notes payable, banks, 8½%, unsecured	$ 11,000,000
Current maturities of long-term debt	13,860
Accounts payable, trade	2,965,637
Accrued expenses:	
Payroll	215,826
Property and payroll taxes	199,372
Insurance, vacation pay and other expenses	210,205

Income Tax Liability

Captions used in the balance sheet to describe the current liability for Federal income taxes are summarized in Table 2-37. The most frequently used captions are *income taxes* and *Federal income taxes*. Thirty-two companies did not show a current liability caption for income taxes.

BAYUK CIGARS INCORPORATED

Current Liabilities	
Notes payable	$ 2,980,000
Current instalment of long-term debt	1,000,000
Accounts payable and sundry accruals	1,928,000
Estimated taxes on income—Note 5	1,083,000

Note 5: A substantial portion of the company's consolidated income was earned by the company's Puerto Rican subsidiaries, which have been granted exemption from Puerto Rican income taxes through 1987.

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 included in the provision for income taxes amounted to $41,000 of tax reduction in 1970 and $636,000 of tax expense in 1969. The balance sheet amounts for estimated taxes on income include deferred taxes of $624,000 and $665,000 at December 31, 1970 and 1969 respectively. These deferred taxes, even though they may not be expected to become payable within twelve months, have been included in the current liability account since they relate principally to accounts included in current assets.

TABLE 2-37: CURRENT LIABILITIES—INCOME TAX LIABILITY

	Number of Companies			
Principal Caption*	1970	1969	1965	1960
A: Income taxes (or taxes based on income)	188	171	100	66
B: Federal income taxes	104	124	180	232
C: Federal and state income taxes	51	50	43	51
D: Federal and foreign income taxes	55	57	61	45
E: Federal, state, and foreign income taxes	23	24	23	10
F: U.S. and foreign income taxes	50	60	60	N/C
G: Other captions restricted to income taxes	13	19	8	8
Total number of companies showing a caption restricted to income taxes	484	505	475	412
H: Income tax combined with other taxes	23	18	28	36
Taxes (type not specified)	49	41	43	37
Other captions	12	11	23	71
Total number of companies showing a tax liability	568	575	569	556
No caption for taxes payable	32	25	31	44
Total	600	600	600	600
Modifier				
Accrued	109	103	97	86
Estimated	26	27	49	112
Provision	12	13	38	63
Reserve	7	9	12	19
	154	152	196	280
No modifier	414	423	373	276
Total companies showing a tax liability	568	575	569	556
No caption for taxes payable	32	25	31	44
Total	600	600	600	600
Securities deducted from tax liability	2	4	50	90

*Refer to Company Appendix Section—A: 22, 135, 213, 357, 474; B: 44, 253, 634; C: 5, 719; D: 6, 543, 586; E: 252, 368, 476; F: 227, 238, 486, 584; G: 120, 375, 526, 590; H: 87, 170, 376, 475.

BROWN & SHARPE MANUFACTURING COMPANY

Current Liabilities	
Notes payable and current installments of long-term debt	$ 11,289,000
Accounts payable	3,956,000
Accrued expenses	2,570,000
United States and foreign income taxes	342,000
Other taxes	526,000

HAMPTON SHIRT CO., INC.

Current Liabilities	
Accounts payable	$ 1,863,006
Taxes based on income	739,211

THE KENDALL COMPANY

Current Liabilities	
Notes payable to banks	$ 11,276,000
Accounts payable	10,732,000
Accrued payrolls and other expenses	6,862,000
Federal, state and Canadian taxes on income	2,170,000
Portion of long-term obligations payable within one year	1,264,000

KRAFTCO CORPORATION

Current Liabilities	
Accounts payable and accrued liabilities	$ 192,556,883
Short-term loans of International Subsidiaries	27,440,895
Provision for Federal and foreign taxes on income	19,914,463
Current portion of long-term debt, less amount provided for payment ($2,450,000 in 1970)	1,115,000
Total current liabilities	$ 241,027,214

SPARTON CORPORATION

Current Liabilities	
Notes payable to banks	$ 625,000
Accounts payable	1,541,453
Liability for U.S. and Canadian income taxes	327,633

SUN CHEMICAL CORPORATION

Current Liabilities	
Bank loans	$ 8,391,000
Current portion of long-term debt	1,223,000
Accounts payable	8,445,000
Accrued salaries, wages and other expenses	7,015,000
Accrued income taxes	167,000

THE WURLITZER COMPANY

Current Liabilities	
Notes payable—banks	$ 8,850,710
Current maturities of long-term debt	963,473
Accounts payable	2,238,234
Accrued compensation, taxes, etc.	1,927,240
Federal, state and foreign income taxes	
Currently payable	562,011
Deferred—applicable principally to instalment receivables	1,357,000
Total current liabilities	$ 15,898,668

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 2-38 shows the various descriptive captions.

AMERICAN ZINC COMPANY

Current Liabilities	Thousands of Dollars
Short-term notes payable to banks	$ 9,610
Current maturities of long-term notes payable to banks (Note 1)	2,000

Note 1: Notes payable to banks—At June 30, 1970, the company had outstanding under a refunding loan

TABLE 2–38: CURRENT AMOUNT OF LONG-TERM DEBT

Description*	1970	1969
A: Current portion of long-term debt	123	123
B: Current maturities of long-term debt	125	114
C: Long-term debt due or payable within one year	96	90
D: Current installment of long-term debt	63	61
E: Type of long-term debt (e.g. Bonds Payable, Notes Payable, etc.)	42	34
F: Caption combining maturing portion with other amounts	71	77
Total Presentations	520	499
Number of Companies Showing:		
Current amount of long-term debt separately	438	411
Current amount of long-term debt combined with other amounts	67	77
No current amount shown	95	112
Total	600	600

*Refer to Company Appendix Section—A: 5, 113, 511; B: 53, 307, 347; C: 10, 68, 225; D: 80, 428, 621; E: 41, 144, 275, 729; F: 99, 226, 386.

agreement of April 1, 1970 notes payable to a group of banks of $15,800,000 consisting of $8,000,000 of Installment Notes and $7,800,000 of Guaranteed Notes. The Installment Notes bear interest at 1% in excess of the prime commercial rate in effect from day to day and are payable in fixed quarterly installments of $500,000 through June 30, 1974. The Guaranteed Notes bear interest at 1½% in excess of the prime commercial rate in effect from day to day and are payable September 30, 1974. The Guaranteed Notes are guaranteed as to payments of principal and interest by Consolidated Gold Fields Limited (see Note 7).

The refunding loan agreement requires annual prepayments on the Guaranteed Notes on October 1 of each year in an amount equal to one-half of the excess of the cash flow from operations over a specified amount for the preceding fiscal year. A deficiency in any fiscal year from the amount specified is to be deducted from any subsequent excess before determining the amount of the required prepayment. There will be no prepayment at October 1, 1970 under this provision since the cash flow from operations for fiscal year 1970 was $3,935,000 less than the amount specified.

The refunding loan agreement provides, among other things, that the company will maintain an excess of current assets over current liabilities of at least $7,000,000 through June 30, 1971 and $6,000,000 thereafter. The agreement further requires that cash dividends and stock redemptions shall not be made if, after giving effect thereto, the net worth of the company shall be less than $35,000,000.

BROWN SHOE COMPANY, INC.

Current Liabilities	
Notes payable	$ 20,900,000
Accounts payable	21,148,171
Accrued expenses	12,778,322
Federal and state income taxes	7,240,698
Current maturity of long-term debt, including in 1970 final maturity of 3½% Sinking Fund Debentures	3,625,000

DART INDUSTRIES INC.

Current liabilities	
Accounts payable	$ 39,677,000
Accrued compensation and related taxes	20,689,000
Other accrued expenses	40,867,000
Short term commercial paper	35,100,000
Short term loans, foreign	5,412,000
Current installments of discounted rental and land obligations	1,084,000
Estimated United States and foreign income taxes	21,000,000
Current installments of long-term debt	6,065,000
Total current liabilities	$ 169,894,000

THE B. F. GOODRICH COMPANY

Current Liabilities	
Notes payable and bank loans	$ 159,141,000
Accounts payable and accrued expenses	124,153,000
Federal and foreign income taxes	18,344,000
Long-term debt payable within one year	9,113,000
Total current liabilities	$ 310,751,000

O'SULLIVAN CORPORATION

Current Liabilities	
Accounts payable	$ 722,457
Accrued compensation, general taxes, etc.	132,876
Federal and state income taxes	6,945
5¾% first mortgage bonds, due currently	66,666
Dividends payable	114,637

RUSS TOGS, INC.

Current liabilities	
Accounts payable	$ 8,084,529
Accrued expenses and taxes	3,649,793
Income taxes	1,276,448
Long-term debt—current portion:	
Notes payable	1,538,174
Real estate mortgages	114,305
Convertible subordinated notes	771,582

U. S. INDUSTRIES, INC.

Current liabilities	(Thousands)
Notes payable	$ 83,721
Accounts payables	99,128
Accrued expenses	34,300
Other liabilities	14,346
Federal and foreign income taxes	12,775
Vessel construction funds to be deposited	2,700
Portion of long-term debt due within one year	15,761
Total current liabilities	$262,731

Other Current Liabilities

Other identified current liabilities are summarized in Table 2-39. 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 2-39. There were 568 such presentations.

TABLE 2-39: OTHER CURRENT LIABILITIES

Number of Presentations	1970	1969
Dividends payable	119	133
Taxes not combined with Federal Income taxes	106	132
Deferred taxes	48	51
Interest	31	26
Customer advances, deposits, etc.	26	23
Guarantees, warranties, service contract obligations etc.	18	16
Billings on uncompleted contracts	9	11
Due to affiliated companies	9	11
Advance rentals	6	9
Other-Identified	64	49
Total Presentations	438	461

ADMIRAL CORPORATION

Current Liabilities	
Notes payable—banks	$ 44,369,538
Current installments of long-term debt	4,030,480
Accounts payable and accrued expenses	54,490,368
Product and service warranties	7,872,314
Federal, state and foreign income taxes	1,457,399
Total current liabilities	$ 112,220,099

ALLIED STORES CORPORATION

Current Liabilities	
Accounts payable	$ 78,697,290
Accrued expenses	27,910,832
Taxes, other than federal income taxes	16,110,330
Federal income taxes	
Current	8,797,264
Deferred	19,117,340
Notes payable of Allied Stores Credit Corporation	90,085,000
Long-term debt due within one year	8,013,551
Total current liabilities	$ 248,731,607

THE AMERICAN DISTILLING COMPANY

Current liabilities	
Notes payable to banks	$ 7,000,000
Accounts payable	1,497,354
Federal excise tax payable	8,489,979
Accrued liabilities	1,064,714
Dividends payable	33,635
Federal income tax	432,627
Long-term debt due within one year	31,219
Total current liabilities	$ 18,549,528

BEECH AIRCRAFT CORPORATION

Current Liabilities	
Trade accounts payable	$ 10,624,720
Payroll and payroll deductions	5,015,134
Accrued expenses	2,852,882
Customer deposits	2,471,648
Current portion of long-term debt	400,625

CHICAGO BRIDGE & IRON COMPANY

Current Liabilities	
Notes payable	$ 657,028
Accounts payable	10,681,655
Accrued liabilities	9,511,960
Profit-sharing contribution	4,375,000
Funds held for employees	2,074,754
Contracts in progress with progress billings exceeding related accumulated costs of $212,047,104 in 1970	62,601,608
Income taxes	9,848,857
Total current liabilities	$ 99,750,862

FREEPORT SULPHUR COMPANY

Current liabilities	
Accounts payable and accrued expenses	$ 7,331,000
Accrued royalties payable	7,293,000

KOPPERS COMPANY, INC.

Current Liabilities	
Federal income tax	$ 1,719,536
Other taxes	4,380,188
Accounts payable and accruals other than taxes	58,973,601
Advance payments received on contracts	3,591,508
Term debt due within one year	3,634,127
Notes payable:	
Banks	5,738,791
Commercial paper	2,000,000
Total current liabilities	$ 80,037,751

LIGGETT & MYERS INCORPORATED

Current Liabilities	
Notes payable	$ 70,752,805
Accounts payable	19,539,102
Dividends payable	210,509
Taxes payable and accrued	16,388,874
Portion of long-term debt due within one year	429,134
Estimated costs relating to closing of Richmond plant (Note 4)	3,430,841
Other accrued liabilities	16,590,090
Total current liabilities	$ 127,341,355

Note 4: Extraordinary Charge Resulting from Closing of Cigarette Manufacturing Plant—In December 1970, the Company discontinued operations at its cigarette manufacturing plant in Richmond, Virginia. The estimated costs (consisting principally of severance pay and retirement annuities for terminated employees) expected

to be incurred in connection with the closing of the plant, less the related income tax benefits of $3,489,000, are shown as an extraordinary charge in the accompanying statement of consolidated earnings. The estimated cost of retirement annuities ($2,540,000) will be funded over a period of approximately ten years, and accordingly, the non-current portion has been included in Other Long-Term Liabilities in the accompanying consolidated balance sheet.

MIDAS-INTERNATIONAL CORPORATION

Current Liabilities	
Accounts payable	$ 2,818,995
Bank loans payable	155,000
Current Portion of Long-term Debt	1,356,075
Contracts Payable (Note 5)	959,598

Note 5: Contracts Payable on Acquisition—Contracts payable represent balances owing in connection with acquisition of certain subsidiaries, and include amounts determined as of the respective balance sheet dates as additional purchase price contingent on current earnings of the acquired subsidiaries. One contract is subject to possible adjustment by reason of earnings of one of the acquired subsidiaries for a short period in 1971. Final payments are due in 1972.

NATIONAL STEEL CORPORATION

Current Liabilities:	
Accounts payable	$141,217,152
Payrolls, taxes and other accrued items	142,957,551
Production payments	13,238,555
Long-term debt due within one year	639,331
Total Current Liabilities	$298,052,589

OXFORD INDUSTRIES, INC.

Current Liabilities	
Notes payable, principally banks	$ 3,554,278
Current maturities of long-term debt	1,504,516
Trade accounts payable	12,784,831
Federal and state income taxes including deferred taxes of $431,200	2,256,910
Accrued expenses and employee deductions	5,367,826
Unearned income on service contracts	2,131,215
Dividends payable	341,559

SYBRON CORPORATION

Current Liabilities	
Short-term debt	$ 29,232,000
Accounts payable	19,334,000
Preferred stock dividend payable	718,000
Accrued expenses	25,334,000
Customer advances	5,848,000

UNITED MERCHANTS AND MANUFACTURERS, INC.

Current Liabilities	
Notes and advances payable—banks and bankers	$173,561,629
Current installments of long-term debt	2,596,000
Credit balances of factored clients	71,653,526

LONG-TERM DEBT

Types of long-term debt appearing in the 1970 balance sheets of the survey companies are analyzed in Table 2-40. In addition to the information shown in the table, 60 companies have long-term debt payable in foreign currency and 67 companies have long-term debt which is callable at the option of the company.

Opinion No. 21— Interest on Receivables and Payables, issued in August 1971 and effective for transactions entered into after September 30, 1971, requires the imputation of a realistic interest rate to long-term payables not bearing interest or bearing an interest rate lower than the prevailing rate.

Examples of long-term debt presentations follow.

TABLE 2-40: LONG-TERM DEBT

Unsecured (Not Convertible)*	1970	1969
A: Notes	466	401
B: Debentures	262	302
C: Loans	88	108
Other (Specified)	66	63
Other (Not Specified)	177	201
Total Presentations	1,059	1,075
Collateralized (Not Convertible)*		
D: Mortgages and other debt collateralized by real estate	215	230
E: Capitalized leases	128	119
F: Notes or Loans	79	72
Other	68	49
Total Presentations	490	470
Convertible*		
G: Debentures	187	197
H: Notes	39	39
Other	13	5
Total Presentations	239	241
Number of Companies Presenting		
Unsecured and Collateralized	184	200
Unsecured only	150	163
Unsecured, collateralized and convertible	121	107
Unsecured and convertible	85	70
Other combinations	30	26
No long-term debt	30	34
Total	600	600

*Refer to Company Appendix Section—A: 80, 100, 145, 264, 309, 510; B: 69, 123, 171, 451, 495, 589; C: 21, 298, 302, 405, 650; D: 17, 22, 174, 285, 320, 618; E: 129, 255, 325, 420, 534, 698; F: 16, 77, 241, 438, 487, 615; G: 153, 187, 236, 394, 538, 584; H: 186, 225, 428, 687, 702, 709.

AMP INCORPORATED

Long-term Debt (Note 3) $12,346,000

Note (3): Long-Term Debt—Long-term debt at December 31, 1970, represents a 6½% note of $7,000,000 due to an institutional lender (including $1,000,000 due within a year and classified as a current liability), four foreign five-year term loans totaling $4,113,000, a foreign 20-year annuity loan (expiring in 1987) of $1,389,000, and other debt of $844,000.

The agreement covering the amount due to the institutional lender provides for the repayment in equal annual installments over 7 remaining years or, at the option of AMP, over 4 years without penalty. This agreement contains restrictions with respect to additional borrowings, maintenance of minimum working capital and certain other items. Payment of cash dividends and the purchase of the Company's common stock, etc., are limited to $60,575,000 at December 31, 1970, plus the entire net income of AMP and its domestic subsidiaries and Pamcor, Inc. for subsequent periods.

ALLEGHENY LUDLUM INDUSTRIES, INC.

Long-term Debt (Note 4) $97,898,305

Note (4): Long-term Debt—Amounts due beyond one year:

Notes payable:	
3% Notes due January 1, 1972	$3,300,000
3.75% Notes due September 15, 1977	3,600,000
4⅝% Notes due May 1, 1990	23,750,000
5¼% Note due May 1, 1979	1,500,000
6% Note due September 1, 1976	500,000
Other notes	446,090
	33,096,090
4% Convertible Subordinated Debentures due October 1, 1981, net of debentures held by the Corporation	5,703,200
4¾% Sinking Fund Debentures due June 1, 1986	10,650,000
9% Sinking Fund Debentures due March 1, 1995	40,000,000
3.6% to 7.25% Rental obligations due to 1990	8,449,015
	$97,898,305

Annual prepayments are required: on the 3% Notes, $100,000; on the 3.75% Notes, $600,000; on the 4⅝% Notes, $1,250,000; on the 5¼% Note, $200,000; on the 6% Note, $100,000; on the other notes, $306,000; on the 4% Convertible Subordinated Debentures, $810,000 (at December 31, 1970, the Corporation held such debentures in an aggregate amount sufficient to meet the required annual prepayments for more than eight years); on the 4¾% Sinking Fund Debentures, $725,000; on the 9% Sinking Fund Debentures, $2,000,000 beginning in 1976; and on the Rental obligations, approximately $545,000.

The 4% Convertible Subordinated Debentures are convertible into shares of Common Stock. At December 31, 1970, the conversion price, which is subject to adjustment, was $52.00 per share, and 109,677 shares of Common Stock were reserved for conversion.

The various Notes and the Indentures under which the Debentures were issued contain provisions restricting the payment of dividends on Common Stock (otherwise than in capital stock). Under the most restrictive of such provisions, $119,925,890 of the consolidated retained earnings at December 31, 1970 was unavailable for the payment of such dividends. The Notes and Indentures also contain various other restrictions relating to additional indebtedness, mortgages and liens and the purchase or redemption of capital stock or subordinated indebtedness.

The Rental obligations consist of indebtedness under certain lease-purchase agreements; the leased properties have been treated as assets and the related lease obligations have been treated as long-term indebtedness.

AVCO CORPORATION

Long-term debt (Note 2)	
Senior	$506,669,000
Subordinated	176,530,000

Note 2: Long-Term Debt and Retained Earnings—At November 30, 1970, long-term debt consisted of the following:

Senior

Notes under Avco's revolving credit agreement providing for borrowings until April 15, 1972 to a maximum of $279,100,000 (increased in 1970 from $175,000,000 of which $105,000,000 was borrowed at November 30, 1969) at the prime rate for borrowings up to $175,000,000 and at the prime rate plus ¾% for borrowings in excess of that amount and the maintenance of deposit balances equal to 15% of the lines	$279,100,000
6.67% note (annual prepayments are $2,654,000 in 1973 and $2,647,000 from 1974 to 1988, when the balance is due)	50,000,000
8½% note (annual prepayments are $3,500,000 from December 1973 to December 1990, when the balance is due)	70,000,000
Notes to banks pursuant to a June 1970 agreement providing for Eurodollar borrowings until May 31, 1975 to a maximum of $50,000,000 at 1¼% over the interest rate in London, England, for 6-month Eurodollar deposits	50,000,000
9% notes, due in 1975 (issued in May 1970 by Avco Overseas Capital Corp. N.V. and guaranteed by Avco)	20,000,000
8⅜% note (annual prepayments are $400,000 in 1974 and $1,000,000 from 1975 to 1984, when the balance is due)	10,400,000
Notes, due $15,300,000 in 1971 and $4,674,000 in 1972, ½% over the prime rate (payable by The Paul Revere Corporation)	19,974,000
Non-interest bearing note due 1971	5,478,000
Other, maturities to 1998	24,793,000
	529,745,000
Installments due within one year	(23,076,000)
	$506,669,000

Subordinated

7½% debentures, due 5% in 1992 and the balance in 1993	$77,131,000
5½% convertible debentures, due 5% in 1992 and the balance in 1993 (convertible at $54 per share)	94,462,000
5% convertible debentures, due in 1979 (convertible at $11.50 per share)	937,000
6% note, due in December 1980 (payable by The Paul Revere Corporation)	4,000,000
	$176,530,000

The above description of the 6.67% and 8½% senior notes reflects terms revised as the result of a refinancing of $100,000,000 of 6¼% notes completed in December 1970. The additional $20,000,000 loan obtained in the transaction was used to repay short-term obligations, and this has been reflected in the accompanying statement of consolidated financial position.

Under agreements relating to Avco's long-term debt, approximately $9,000,000 of Avco's consolidated retained earnings as of December 1, 1970 were not restricted as to the payment of cash dividends on common and preferred stock, assuming maintenance of required working capital levels. Under these agreements, an additional $33,400,000 as of December 1, 1970 were not restricted as to the payment of cash dividends on preferred stock, but any such payments would reduce the amount otherwise available for subsequent cash dividends on either preferred or common stock.

Borrowings under Avco's revolving credit agreement will become current debt on April 16, 1971, but Avco plans to negotiate a new credit agreement with its lending banks prior to that time so as to continue to meet the minimum working capital requirements of the agreement. It is anticipated that appropriate changes will also be negotiated during the year in certain provisions of Avco's long-term note agreements.

CONSOLIDATED PACKAGING CORPORATION

Long-term liabilities:	
Bank loan, 6½% (Note 6)	$3,517,000
Notes and contracts payable, less current portion (Note 5)	1,398,000

Note 5: Notes and Contracts Payable—Notes and contracts payable consist of the following:

	Current	Long-term	Total
Equipment obligations, 3½% to 12½% interest, maturities to 1979	$225,000	$529,000	$754,000
Mortgage notes, 5½% and 6% interest, maturities to 1984	53,000	588,000	641,000
Other notes, 5% interest, maturities to 1977	59,000	281,000	340,000
	$337,000	$1,398,000	$1,735,000

Property, plant and equipment with a depreciated cost of $2,200,000 is pledged as collateral to the equipment obligations and mortgage notes.

Note 6: Long-term Bank Loan—The loan agreement, as amended in March, 1971, provides for a maturity date of February 1, 1972 and requires the Company, among other things, to pay no dividends during the term of the loan, maintain working capital in excess of $1,735,000, and make certain prepayments should earnings from operations or net proceeds from disposition of facilities be realized. Property, plant and equipment with a depreciated cost of $2,800,000 is pledged as collateral under this loan.

Subsequent to year end, the Company entered into a loan agreement with a corporate lender to borrow the sum of $4,000,000. The loan, which matures June 30, 1973, is in the form of a principal promissory note with interest at a rate equal to the prime interest rate plus 2% per annum to a maximum rate of 8¾% per annum. The proceeds received from the loan will be used to pay in full the 6½% bank loan outstanding at December 31, 1970 with the remaining proceeds to be used for general corporate purposes. The Company is required among other things, to pay no dividends during the term of the loan and maintain working capital equal to or greater than the working capital at December 31, 1970. Proper-

ty, plant and equipment with a depreciated cost of $8,300,000 is pledged as collateral for the promissory notes and all present and future trade payables due to the lender.

CUMMINS ENGINE COMPANY, INC.

Long-term Debt, Less Current Maturities (Note 6):	
Payable to Domestic Lenders:	
8⅞% sinking fund debentures, due to 1995	$30,000,000
4.6% notes payable under loan agreements due in installments to 1990	19,000,000
4½% to 8% mortgage notes and capitalized leases, due in installments to 1986	4,767,867
Payable to International Lenders:	
5% subordinated convertible debentures, due to 1988	18,444,000
3¾% convertible unsecured loan stock, due 1994	12,000,000
9% notes payable, due 1972	3,876,682
Total Long-term Debt	$88,088,549

Note 6: Long-term Debt-The 5% Subordinated Convertible Debentures, issued by a wholly owned subsidiary, Cummins International Finance Corporation, due 1988, are convertible into the common stock of the parent company (guarantor), at $36.16 per share, the price being subject to adjustment for stock distributions of 10% or more and under a formula for other events. The debentures may be redeemed before 1981 under certain conditions. Beginning in 1979, annual sinking fund payments are required (or retirement of an equivalent principal amount of debentures) equal to 5% of the aggregate principal amount of debentures then outstanding. Cummins has agreed to pay to the holders who are nonresidents of the United States such amounts as may be withheld as taxes by the United States.

In February, 1969, Cummins Engine Company Limited, a wholly owned United Kingdom subsidiary, issued 5,000,000 British pounds ($12,000,000) 3¾% Convertible Unsecured Loan Stock due 1994. The loan stock carries a subordinated guarantee by, and is convertible after March 1, 1973, at $46.36 (adjustable for certain events) into shares of common stock of the parent company. The issue may be redeemed from 1978 to 1993 under certain conditions.

In October, 1970, Cummins sold $30,000,000 ($3,050,000 to be delivered and proceeds collected in April, 1971) principal amount of 8⅞% Sinking Fund Debentures due 1995. With certain restrictions, the Debentures may be redeemed at any time, in whole or in part, by Cummins at 107.645% of the principal amount to October 15, 1971, and at declining premiums to 1990 and thereafter at the principal amount. The indenture provides for minimum annual sinking fund payments of $1,950,000 starting in 1981.

Certain of the loan agreements and indentures contain restrictive covenants relating to the payment of dividends and distributions of stock. At December 31, 1970, the amount of consolidated earnings retained in the business free of the most restrictive limitation under the various agreements was $17,972,719.

The Company has entered into a revolving credit agreement with banks which provides for borrowings up to $20,000,000 on 90-day notes at the prime interest rate through 1971 and ¼% above prime during 1972. Under this agreements, (a) the Company has the option to renew the notes to 1972 and then convert the notes to a term loan due in equal quarterly installments to December 31, 1975, and (b) during the period that any revolving credit or term loan notes are outstanding, the Company must maintain consolidated working capital, as defined, of at least $85,000,000. No amounts had been borrowed under this agreement at December 31, 1970.

The aggregate maturities of long-term debt during the next five years are as follows:

Year	1971	1972	1973	1974	1975
Amount ($000)	4,052	5,140	1,257	1,256	1,272

H.J. HEINZ COMPANY

Long-term debt (Note 2) $99,538,462

Note 2: Long-term Debt-Details of long-term debt at April 29, 1970 follow:

	Interest per cent	Maturity (fiscal year)	Portion due Non-current	Current
Company:				
Promissory notes	4½	1971-74	$13,000,000	$2,000,000
Promissory notes	5¼	1971-84	13,000,000	1,000,000
Promissory notes	6⅝	1979-93	40,000,000	--
Mortgages	6	1971-75	516,767	194,020
			66,516,767	3,194,020
Subsidiaries:				
Promissory notes:				
Australia	4¼	1971-76	6,024,203	261,268
Canada	4½	1971-74	2,250,000	375,000
England	to 9	1971-74	2,287,566	2,178,358
Italy	to 4	1974-84	3,299,360	--
Mexico	to 6	1971-76	3,015,000	1,220,000
Other	to 9	1971-72	464,463	1,326,976
Debentures–				
England	to 6	1971-85	8,375,031	189,296
Mortgages and contracts:				
Domestic	to 6½	1971-2001	6,779,872	668,211
Other	to 9	1977-80	526,200	--
			33,021,695	6,219,109
			$99,538,462	$9,413,129

Among other restrictions, the agreements relating to the promissory notes of the Company contain provisions against the payment of dividends by the Company upon its common stock (otherwise than in its common stock) if such dividends, together with purchases, payments into the sinking fund and dividends on its presently authorized preferred stock and amounts expended by the Company or any subsidiary for purchase, redemption, retirement or other acquisition of any class of the Company's stock, since May 3, 1967, would exceed the total of the net proceeds to the Company for issues of shares of stock, plus $18,000,000, plus the consolidated net income since May 3, 1967. At April 29, 1970, retained earnings of $116,000,000 were not thereby restricted.

KRAFTCO CORPORATION

Long-Term Debt (See note) $82,875,071

Long-term Debt—All of the issues of debentures and debenture stock, other than the 7½% Convertible Bearer Bonds, have sinking fund or prepayment requirements. The amounts shown below as outstanding at December 26, 1970, exclude maturities and sinking fund requirements included in current liabilities, and $5,392,000 of debentures held in treasury in excess of current sinking fund requirements.

	December 26, 1970	December 27, 1969
Kraftco Corporation		
3⅛% Debentures due 1976	$14,944,000	$14,944,000
4⅜% Debentures due 1992	30,214,000	30,214,000
Renewable Bank Notes (Belgium)	--	686,703
Bank Loans due 1973/74 (Eurodollars)	3,987,071	3,987,071
Kraftco Intnt'l Capital Corp.		
7½% Convertible Bearer Bonds due 1985 (Deutsche Marks)	27,300,000	---
English Subsidiary		
Debenture Stock due 1975	5,280,000	5,520,000
Bank Loans due 1971/72	600,000	1,200,000
Venezuelan Subsidiary		
Bank Loan due 1971-73	550,000	825,000
	$82,875,071	$57,376,774

The 7½% Convertible Bearer Bonds of Kraftco International Capital Corporation are convertible into 649,350 shares of common stock of Kraftco Corporation, commencing May 1, 1971.

MAULE INDUSTRIES INC.

Long-term debt (Note 6) $23,852,573

Note 6: Long-term Debt—Long-term Debt consists of the following:

	Issued	1970 Balances Mature During	1970	1969
7% Subordinated Convertible Debentures	1967	1972	$750,000	$750,000
7½% Subordinated Convertible Debentures	1968	1972	5,000,000	5,000,000
Mortgage Note, 3% over prime rate on $2,000,000 and 2¼% over prime on remainder	1969-70	1971-77	11,750,000	9,750,000
Purchase Money Mortgage Notes:				
Due to affiliated companies, 6%-7½%	1969	1971-74	1,940,280	3,006,600
Other, 5%-8½%	Various	1971-80	344,190	362,491
Equipment installment contracts	Various	1971-77	7,816,191	8,101,559
Construction accounts payable			---	1,477,673
			27,600,661	28,448,323
Less current maturities			3,748,088	3,188,795
Long-term debt			$23,852,573	$25,259,528

The 7% Debenture is convertible into common stock at $7.50 per share (100,000 shares) at maturity which, as extended, is June 1, 1972. The 7½% Debentures are convertible into common stock at $12.00 per share (416,666 shares) at any time during the six months preceding the maturity date of June 1, 1972. At December 31, 1970, an affiliated company is the record owner of $2,400,000 of the 7½% Debentures.

The Mortgage Note loan agreement restricts the amount of cash payable for dividends on the common and preferred classes of stock and stock repurchased to 40% of the cumulative consolidated net income after December 31, 1968; the amount of retained earnings free of these restrictions at December 31, 1969 was $407,000 and at December 31, 1970 was approximately $331,900, and after the common stock dividend declared in January 1971 of $328,159, was $3,700. The Mortgage Note can be prepaid at a premium of 2% through March 31, 1972, 1% through March 31, 1973 and thereafter without penalty; the underlying collateral consists of the real estate, including the improvements and chattels thereon, directly associated with the cement plant facilities; principal plus interest is payable quarterly beginning March 31, 1971 with the remaining balance, approximately $5.7 million, due on June 30, 1977.

Construction accounts payable were paid from the proceeds of additional financing during 1970.

The approximate principal requirements on long-term debt during the next five years, exclusive of requirements for the 7% and 7½% debentures due in 1972, are as follows: 1971—$3,748,088, 1972—$3,743,838, 1973—$3,227,589; 1974—$2,575,828 and 1975—$1,458,559.

J.J. NEWBERRY CO.

Long-term Debt (Note 6) $25,371,617

Note 6: At January 31, 1971, long-term debt comprised:

	Current	Noncurrent	Total
Mortgage Payable	$19,610	$86,451	$106,061
3¾% Sinking Fund Notes, payable to May 15, 1976	500,000	4,500,000	5,000,000
3⅛% Notes, payable from January, 1971 to 1975	28,227	450,166	478,393
5¼% Subordinated Notes, payable from October, 1970 to 1981	1,033,000	10,335,000	11,368,000
6½% Convertible Subordinated Debentures due August 1, 1994	--	10,000,000	10,000,000
	$1,580,837	$25,371,617	$26,952,454

The mortgages bearing interest at rates of 4½% and 5% are payable in various amounts through July 1, 1976.

The sinking fund note indenture provides for annual sinking fund payments of $500,000 through May 15, 1975, and the balance of $2,500,000 payable on May 15, 1976. The Company has the option of making certain additional sinking fund payments annually, without premium.

Certain prepayment privileges are available to the Company with respect to the long-term notes payable which provide for declining premium payments.

As of August 1, 1969, the Company sold $10,000,000 of 6½% convertible subordinated debentures, due August 1, 1994. Unless previously redeemed, the debentures may be converted, at the option of the holder, into shares of common stock of the Company at the conversion price of $30.00 per share. Annual sinking fund payments of $500,000 are required in each year beginning with 1980 (subject to reduction for the principal amount of any debentures redeemed, surrendered for conversion, or otherwise acquired by the Company). The Company has the non-cumulative option of making additional sinking fund payments annually, commencing in 1975. The debentures are subject to redemption at (a) the principal amount, if redeemed through the operation of the sinking fund or (b) at any time, at the election of the Company, at amounts equal to a percentage of principal, on a declining scale, ranging from 105.75% in 1971 to 100.25% in 1988, and 100% thereafter.

The notes, supplemental agreements and debentures contain certain covenants restricting the amount of retained earnings available for the payment of cash dividends or for acquisition of the Company's capital stock. At January 31, 1971, the amount of retained earnings free of such restrictions was approximately $9,800,000.

PEPSICO, INC.

(In thousands)

Long-term Debt $177,514

Notes to Consolidated Financial Statements

Note 3: Long-term Debt—At December 26, 1970 long-term debt (less current installments) consisted of:

	1970	1969
	(In thousands)	
Floating rate loan notes, 9½% at December 26, 1970(6⅝% at February 28, 1971) due $2,000,000 annually to1976; $6,000,000 in 1977; $19,000,000 in 1978, 1979 and 1980	$73,000	$ --
6½% subordinated debentures, due 1988.	35,000	--
4½% convertible debentures, due 1981	22,578	28,412
9% (variable rate) Deutschmark notes payable, due 1972-1973.	27,100	21,138
Other	19,836	41,562
	$177,514	$91,112

PHOENIX STEEL CORPORATION

Long-term debt less amounts due within one year (Note 5) $65,512,369

Note 5: Long-term Debt—

	December 31, 1970	1969
	(in thousands of dollars)	
Industrial revenue bonds—5¾%, due 1991	$40,650	$41,000
Convertible subordinated debentures 6%, due 1987	11,827	12,385
Revolving bank loan 1% over prime, due 1974	8,566	1,740
Supplier obligations payable 6%, due 1970-1975	3,753	3,771
Payable to pension fund 4%, due 1970-73	516	758
Miscellaneous	1,585	1,697
	66,897	61,351
Less amounts due within one year	1,385	700
Long-term debt—less current portion ...	$65,512	$60,651

The revolving bank loan, previously with interest at ¾% over prime and maturing in 1971. was renegotiated in connection with the November, 1969 financing. Providing a credit line of $9,000,000, the loan is secured by the pledge of accounts receivable and inventories of the Company. The loan agreement includes provisions for events of default relating to working capital and operating losses, and restrictions limiting the Company's right, without the consent of the banks, to take certain actions including making capital expenditures and creating indebtedness and property encumbrances.

The Company arranged with Northern Delaware Industrial Development Corporation for the financing and lease to the Company of the major part of the Claymont improvements. The financing was accomplished in 1966 and 1967 by the sale of $41,000,000 of Industrial Revenue Bonds. As part of the arrangements, the Company

sold (and leased back) its then existing properties at Claymont. The bonds are secured by an assignment of the lease and by mortgages on the Company's Claymont, Delaware and Phoenixville, Pennsylvania plants. Upon payment of all outstanding bonds, the lease provides that at the Company's option the improved Claymont property will be reconveyed to the Company for $1. In accordance with generally accepted accounting principles, the sale has not been recognized and the property is considered as being owned by the Company.

Annual fixed lease payments to be made by the Company are as follows:

Year	Principal	Interest	Total
1971	$740,000	$2,386,000	$3,126,000
1972	1,155,000	2,336,000	4,491,000
1973	1,225,000	2,272,000	3,497,000
1974	1,295,000	2,204,000	3,499,000
1975	1,365,000	2,119,000	3,484,000
1976-1991			
High	3,195,000	2,042,000	3,491,000
Low	1,445,000	48,000	1,718,000
Average	2,250,000	1,226,000	3,475,000

The debentures, issued to finance construction of the electric furnace melt shop at the Claymont plant, are convertible into common stock at $12.36 per share. (See Note 6.) Debenture sinking fund payments for the next five years starting September 1, 1971 are: 1971–$162,000; 1972–$455,000; 1973–$480,000; 1974–$510,000 and 1975–$540,000.

Scheduled payments on supplier obligations, pension fund and miscellaneous long-term debt during the next five years are: 1971–$483,000; 1972–$957,000; 1973–$1,558,000; 1974–$1,362,000 and 1975–$1,495,000.

STONE CONTAINER CORPORATION

Long-term Debt (Note 4) $17,773,069

Note 4: Long-term Debt—The long-term debt is summarized as follows:

	1970	1969
Notes payable to banks, 7½%, due through 1976 (a)	$17,400,000	$19,000,000
First mortgage note, 9¼%, due through 1989 (b)	1,960,460	1,997,097
Liability to Ohio Water Development Authority, 7½%, due through 1980 (c)	1,552,781	--
Total	$20,913,241	$20,997,097
Less–current maturities	3,140,172	1,636,636
Long-term debt	$17,773,069	$19,360,461

(a) The 7½% notes are unsecured and payable in installments totaling $1,600,000 in 1970 and $2,900,000 for each year thereafter until 1976. The terms of the bank loan agreements provide, among other things, that the Company (1) shall maintain consolidated working capital of $10,000,000, (2) will not declare cash dividends, or purchase, redeem or otherwise acquire or retire any of its capital stock except out of earnings after December 31, 1968 (the retained earnings not so restricted at December 31, 1970 amounted to $3,315,687), and (3) will refrain from issuing long-term debt in excess of 35% (40% to December 31, 1970) of its long-term debt and stockholders' equity.

(b) The 9¼% first mortgage note is payable in monthly installments of $18,320, including interest, until 1989. The note is collateralized by land and building which cost $2,073,061.

(c) In 1970, the Ohio Water Development Authority sold $2,000,000 of 7½% Water Development Revenue Bonds (principal maturing $200,000 annually) to provide funds for the purchase and expansion of an existing stream pollution control facility of the Company at Coshocton, Ohio. Of this amount, $1,552,781 was paid to the Company for the existing facility and the remaining $447,219 is held by the Trustee to be used for the expansion of the facility. The Company leases the facility for an annual amount sufficient to pay principal and interest on the bonds. The cost of the existing facility is included with property, plant and equipment in the accompanying balance sheet. Property, plant and equipment and long-term debt will be increased as funds held by the Trustee are expended. The Company has treated this transaction as a loan for both accounting and tax purposes.

CREDIT AGREEMENTS

Loan commitments from banks or insurance companies for future loans, or extension or refinancing of existing loans were reported by 199 companies as shown by the summary in Table 2-41. A commitment fee on the unborrowed portion of a loan commitment was reported by 23 companies.

TABLE 2-41: CREDIT AGREEMENTS

Type of Agreement	1970	1969	1968
Revolving credit	143	111	120
Other	70	76	61
Total	213	187	181
Number of Companies:			
Disclosing credit agreement	199	176	164
Not disclosing such agreement	401	424	436
Total	600	600	600

ALLIED CHEMICAL CORPORATION

Long-term Debt 338,104,000

Notes to Financial Statements

Long-term Debt (in part)—Long-term debt at December 31, 1970 and 1969, exclusive of $923,000 and

$405,000, respectively, due within one year and included in notes and loans payable, consisted of the following:

	(amounts in thousands)
Sinking fund debentures	
5.20% due November 1, 1991	$141,219
6.60% due August 1, 1993	100,000
3½% due April 1, 1978	69,074
4% due March 1, 1978	4,283
Notes payable to banks under Revolving Credit Agreement	19,000
Other long-term debt, 4%-7½%	4,528
	$338,104

On December 1, 1970, the Company entered into a Revolving Credit Agreement with eight banks, replacing the previous Revolving Credit Agreement, under which the Company may borrow from time to time on 90-day promissory notes up to a maximum of $125,000,000 at any one time outstanding. The interest payable to each bank is at a rate equal to the best available rate of such bank. A commitment fee is payable at the rate of ½ of 1% per year on the average daily unused portion of each bank's commitment. The right of the Company to revolve notes terminates at May 1, 1973, at which time the Company has the option of converting the agreement to a term loan, up to the maximum of $125,000,000 payable in eighteen consecutive quarterly installments starting August 1, 1973. Interest on the term loan payable to each bank is at a rate equal to ½ of 1% above the best available rate of such bank in effect from time to time. The Company does not anticipate using any of its current assets at December 31, 1970, or incurring any additional current liabilities to pay off notes under the Revolving Credit Agreement which were included in long-term debt at that date.

AMERICAN MOTORS CORPORATION

Current Liabilities: ....

Short-term bank borrowings (Note D) $29,759,000

Note D: Short-term Bank Borrowings—Jeep Corporation, a wholly owned subsidiary, has a Credit Agreement which provides for maximum borrowings of $25,000,000 to December 31, 1970, with interest at ½ of 1% above the current prime rate. At September 30, 1970, $25,000,000 was outstanding under this Agreement, and accounts receivable and inventories which have a carrying amount of approximately $50,000,000 and certain other assets have been pledged as security for the borrowing. The Credit Agreement contains various restrictive covenants relating to maintenance of minimum levels of working capital and net worth, payment of dividends, additional indebtedness, and other matters. Management expects a renewal of this Agreement.

American Motors Corporation also has a Credit Agreement which provides for maximum borrowings of $25,000,000 to December 31, 1970. There were no borrowings under the American Motors Credit Agreement during the year, and the various restrictive covenants of this Agreement are such as to prevent borrowings thereunder after September 30, 1970. American Motors intends to enter into new financing arrangements.

AMSTED INDUSTRIES INCORPORATED

Long-term Debt Due after one year ... $16,429,000

Notes to Consolidated Financial Statements

Long-term Debt	
Revolving credit notes	$15,600,000
Other notes payable	829,000
Total	$16,429,000

The company has a revolving credit agreement with two banks for an aggregate of $16,000,000 expiring on December 31, 1971. These loans bear interest at ¼% above the prime commercial bank rate during calendar year 1970 and at the prime commercial bank rate during calendar year 1971. Prior to December 31, 1971 all or any part of the revolving credit may be converted into a term loan, payable over a five-year period, which would bear interest at ¼% above the prime commercial rate in effect from time to time. This agreement contains certain restrictions with respect to the maintenance of total capital invested. At September 30, 1970, approximately $14,700,000 of total capital invested was not affected by these restrictions.

KENNECOTT COPPER CORPORATION

Note 7 (in part): Long-term Debt at December 31, 1970—

London Loan Facility, expires October 1974 .... $50,000,000

On October 28, 1969, Kennecott entered into a five-year credit agreement with a group of foreign banking institutions under which the Company may borrow up to a maximum of $125,000,000 at a rate of interest equal to 1¼% above the rate at which six months U.S. dollars are offered to prime banks in the London Interbank Market. Commitment fees are payable at the rate of ½% per annum on the unused portion of the commitment. During 1970, $50,000,000 was borrowed under the agreement. The notes mature six months from the date of issue and may be renewed at Kennecott's option. It is the Company's intention to renew the notes as they come due.

KINNEY NATIONAL SERVICE, INC.

Notes to Financial Statements

Note 5 (in part): Long-term debt—Long-term debt (excluding Convertible debt) at September 30, 1970 consists of the following:

	Current	Long-term
	(In thousands)	
Fixed loan by banks; due in installments from 1970 to 1973; interest at ½% above prime interest rate	$4,700	$9,930
Revolving loans by banks under credit agreement expiring March 31, 1974	--	50,000
5¾% notes due in installments from 1971 to 1979	1,100	8,250
7⅝% Subordinated Debentures, due 1994	---	22,117
Sundry indebtedness (various terms)	2,389	11,781
	$8,189	$102,078

The terms of the revolving loan agreement, as amended, permit borrowings, primarily for the financing of motion picture investments, up to $85,000,000 maturing March

31, 1974, subject to certain limitations. Borrowings under this agreement bear interest at ¼ of 1% above the prime interest rate on the first $52,000,000 of borrowings and ¾ of 1% above such amount, plus a commitment fee of ½ of 1% per annum on the unused available borrowings. Compensating cash deposits equivalent to 20% of the borrowings outstanding under both the fixed loan and the revolving loan are required to be maintained; such deposits amounted to $12,926,000 at September 30, 1970.

THE RATH PACKING COMPANY

Current Liabilities:	
Borrowing from commercial finance company (Note 1)	$3,800,000
Long-term Obligations:	
4% notes payable, due January 15, 1973 (Note 1)	6,087,513

Note 1: Financing and Joint Credit Agreements—Substantially all of the Company's assets have been pledged or mortgaged as collateral for borrowings under a Financing Agreement with a commercial finance company and a Joint Credit Agreement with banks and institutional lenders. The more important provisions of each agreement are presented below:

Financing Agreement

Borrowings under the Financing Agreement ($3,800,000 at October 3, 1970) may be made up to an aggregate amount determined by the Company's eligible receivables and inventories, as defined. The interest rate is 12% per year, subject to upward revision in relation to the prime bank rate. During the 1970 fiscal year, interest rates were 15.0% through March 31, 1970 and 14.4% thereafter.

The agreement became effective January 4, 1968 and has a term of five years; however, (1) the Company, upon thirty days' prior written notice, may prepay without penalty all borrowings thereunder provided funds used for prepayment are derived from either unsecured bank borrowings, loans from institutional investors, equity financing or profitable operations and (2) the commercial finance company, upon sixty days' prior written notice, may terminate at any time. In the event the Company becomes insolvent or is unable to meet its debts as they mature, or fails, suspends or goes out of business or commits an act of bankruptcy, the agreement may be terminated at any time without notice and all obligations shall become immediately due and payable.

Joint Credit Agreement:

The 4% notes payable, due January 15, 1973, issued to banks and institutional lenders under the Joint Credit Agreements, as amended, are due in installments on January 15, 1971 and 1972 in amounts equal to the greater of (a) 25% and 33⅓%, respectively, of the then unpaid principal amount of the loans, or (b) 50% of the Company's net operating profits, as defined, for the preceding fiscal year. Payments in the aggregate amount of $2,029,171 are due on January 15, 1971 and are included in current liabilities in the balance sheet at October 3, 1970. As also provided under the agreement, the Company paid $140,190 on these notes during the year ended October 3, 1970 from the proceeds from sale of certain equipment.

Under the provisions of the agreement, as amended, warrants were issued to the lenders evidencing the right to purchase a total of 208,600 shares of common stock of the Company at $10 per share, subject to adjustment under antidilution provisions. These warrants expire January 15, 1973 (See Note 5).

The occurrence of any of the following events constitutes a default under the Joint Credit Agreement, as amended, enabling the Agent for the lenders to exercise its rights and apply the collateral and proceeds thereof to the payment of the notes:

(a) Admission by the Company of its inability to pay its debts, appointment of a trustee or receiver or institution of bankruptcy or dissolution proceedings by or for the Company not dismissed in thirty days;

(b) Demand for payment of loans under the Financing Agreement; or

(c) Default in the payment of principal or interest on the loans or in the performance of or compliance with any covenant of the agreement, and, if any such default exists ten days after notice of such default has been given by any lender, the holders of at least 25% of the aggregate unpaid principal amount of all notes request the Agent to exercise its rights.

Unless an event described above occurs, no lender may take any action to enforce collection of its loan; provided, however, that if, under (c) above, an act of default has occurred and existed for ten days but no request has been made of the Agent by the holders of 25% of the notes, any lender may declare its loan to be immediately due and payable and may take action to enforce collection of its loan.

The agreement also provides that, without the prior written consent of holders of two-thirds of the aggregate unpaid principal amount of the notes, the Company will not (1) declare or pay dividends or purchase or redeem any shares of its stock, (2) incur or guarantee obligations for borrowed money except (a) borrowings under the Financing Agreement or (b) in connection with leases of property, and (3) permit current assets, as defined (which includes pricing product inventories at approximate market less cost to sell), to be less than current liabilities. At October 3, 1970, current assets as so defined exceeded current liabilities by $10,324,334.

SCOVILL MANUFACTURING COMPANY

Long-term Debt, less portion due within one year (Note C) *$86,241,000*

Note C (in part)– Long-term debt consisted of the following–

3% Promissory notes payable $300,000 annually	$200,000
7½% Notes due 1973 (payable in Deutsche Marks)	7,048,000
4¾% Debentures due 1982	4,661,000
4.80% Notes due 1990	19,000,000
Revolving Credit and Term Loan Agreement	30,000,000
Other revolving credit agreements	25,000,000
Sundry indebtedness ($668,000 payable in 1971, $288,000 in 1970)	6,153,000
	92,062,000
Less portion due within one year classified as current liability	5,821,000
	$86,241,000

The Revolving Credit and Term Loan Agreement with domestic banks provides for a maximum of $30,000,000 on 90-day renewable notes bearing interest at ¼ of 1% above the minimum commercial lending rate then in effect. At August 28, 1972, termination of the revolving credit period, any borrowings then outstanding may be converted into 4-year notes bearing interest at ½ of 1% above the minimum commercial lending rate.

The other revolving credit agreements are multi-currency agreements with foreign banks and provide for borrowings aggregating the equivalent of $25,000,000 of which $15,000,000 expires on December 15, 1974 and $10,000,000 expires November 10,1975 at interest of ½ to ¾ of 1% above the London Interbank rate. At December 27, 1970, the borrowings were repayable in U.S. dollars.

Under the Company's various debt agreements, of which the Revolving Credit and Term Loan Agreement is the most restrictive, the Company is required to maintain certain working capital ratios and is restricted as to the payment of cash dividends. At December 27, 1970, $11,653,000 of consolidated earnings retained in the business was free from such dividend restrictions. Under less restrictive agreements in effect at December 28, 1969, $48,417,000 was free of dividend restrictions. In addition, there are restrictions as to the acquisition of businesses for cash or debt securities and the acquisition of the Company's Common Stock.

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."

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.

Table 2-42 shows that the number of companies disclosing long-term lease agreements has continued to increase. Examples of lease agreement disclosures follow.

TABLE 2-42: LONG-TERM LEASES

Features Disclosed*	Leases Capitalized	Leases Not Capitalized
A: Rental payments	39	293
B: Expiration dates	30	151
C: Type of property	31	110
D: Renewal or purchase option	31	43

Number of Companies with Leases	1970	1969	1968	1965
Capitalized	52	62		
Capitalized and not capitalized	89	55	87	26
Not capitalized	221	239	238	266
No indication of long-term leases	238	244	275	308
Total	600	600	600	600
Industrial revenue bonds issued by lessor	51	51	43	N/C

*Refer to Company Appendix Section–A: 100, 180, 321, 375, 408, 713; B: 26, 59, 252, 350, 642; C: 3, 109, 314, 384, 551; D: 201, 372, 392, 627.

AMERICAN BAKERIES COMPANY

Other Liabilities:

Long-term debt and lease obligations, less current maturities (Note 2) $12,139,719

Note (2): Long-term Debt—Long-term debt and lease obligations at January 2, 1971, and December 27, 1969, include the following:

	1970	1969
Term bank loan, 5¼%, payable $1,400,000 annually from 1971-74	$5,600,000	$7,000,000
Discounted amounts of future rental payments under lease agreements—		
Real estate lease, expiring in 1996	2,956,450	2,969,194
Equipment lease, expiring in 1986	4,559,554	4,732,558
Notes Payable—		
6% due in 1974	310,866	383,141
Noninterest bearing, payable $74,687 annually to 1972	149,375	224,063
4¾%, paid in 1970		240,000
5¼%, paid in 1970	--	880,000
5⅞%, paid in 1970	--	670,000
Others, at various rates and maturities	126,570	202,993
Liabilities under contract settlements	313,381	386,357
	$14,016,196	$17,688,306
Less—current maturities	1,876,477	3,788,052
	$12,139,719	$13,900,254

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 January 2, 1971 was $16,734,973.

Maturities on the above indebtedness over the next five years are as follows:

1971	$1,876,000
1972	1,831,000
1973	1,777,000
1974	1,776,000
1975	326,000

BORDEN, INC.

Notes to Consolidated Financial Statements

Note (4): Long-term Debt and Lease Obligations—Long-term debt outstanding at December 31, 1970 is as follows (dollars in thousands):

	Long-Term	Due Within One Year
Sinking fund debentures:		
2⅞%, due 1981	$36,250	$--
7¾%, due 1984	1,350	75
4⅜%, due 1991	40,000	2,000
5¾%, due 1997	75,000	--
Debentures repurchased	(4,509)	(2,000)
Promissory notes:		
6½%, due 1972	3,653	--
5¼%, due 1974	6,100	600
5⅜%, due 1981	,700	800
8½%, due 1985	6,933	--
Other borrowings	6,352	1,196
Principal amount of capitalized leases	40,307	11,065
	$219,136	$13,736

Certain plant and equipment for which the Company has entered into lease arrangements is accounted for as purchased equipment. Repayments of such leases are enumerated below under "Capitalized Leases."

Certain properties (exclusive of capitalized leases) used in the Company's operations are leased under arrangements which provide for minimum annual rentals as listed under "Rentals" in the following table.

Aggregate maturities of long-term debt, principal payments on capitalized leases and minimum rentals on other properties leased for three or more years are as follows (dollars in thousands):

Year	Long-term Debt**	Capitalized Leases	Rentals
1971	$2,778	$11,065	$16,364
1972	6,380	11,663	14,950
1973	4,853	11,381	12,772
1974	9,698	9,775	10,318
1975	5,031	5,009	7,079
1976-1980*	33,945	2,479	17,620
1981-1985*	61,803	--	6,791
1986-1990*	28,762	--	2,287
1991 and beyond*	28,250	--	390

*Figures represent combined totals for all years

** Net of debentures repurchased

BURNDY CORPORATION

Long-term Debt—Portion due after one year:

Long-term lease purchase obligations (Note 5) $565,100

Note 5: 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.

DART INDUSTRIES INC.

Properties:	
Properties leased from others	$19,273,000
Current liabilities:	
Current installments of discounted rental and land obligations	1,084,000
Discounted rental obligations under certain leases, less current installments	20,699,000

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 balance sheet. Dart has no legal responsiblity 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 in a following Note.

Commitments and contingencies (in part) Minimum annual lease rentals payable, including $9,875,000 related to transportation and other short-life equipment, and sublease rentals receivable by Dart under other leases and subleases in effect at December 31, 1970 are as follows:

	Minimum annual rentals	
	Payable	Receivable
Leases expiring in:		
1971-1975	$13,754,000	$1,033,000
1976-1980	2,572,000	459,000
1981-1985	1,080,000	224,000
1986-1990	1,171,000	44,000
after 1990	579,000	
	$19,156,000	$1,760,000

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 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.

PHELPS DODGE CORPORATION

Notes to Consolidated Financial Statements

Note E: Long-term Debt—The Corporation has a revolving credit agreement with a group of banks under which it can borrow up to $125,000,000. At December 31, 1970 such indebtedness was represented by $70,000,000 of renewable 90-day notes convertible on or before December 31, 1973 into term notes due in varying quarterly installments from March 31, 1974 to December 31, 1977. Under the agreement, 90-day notes issued prior to December 31, 1973 bear interest at the daily prime commercial rate until December 31, 1972, and thereafter at ¼% above the daily prime commercial rate to December 31, 1973. Term notes bear interest at ¼% above the prime commercial rate to December 31, 1974, and thereafter at ½% above the prime commercial rate.

The above agreement provides that, while any borrowing is outstanding, the Corporation's cash dividends, together with any amounts paid by the Corporation to acquire shares of its capital stock, after December 31, 1970, shall not exceed consolidated net income after such date, plus $50,000,000 and the net proceeds of any sale of shares of its capital stock.

In 1969 a subsidiary entered into a 15-year lease of an aluminum manufacturing facility consisting of land, buildings and equipment. The Corporation has guaranteed the lease obligation. The lease provides for an option to purchase the facility in 1972, 1973 or 1974 at a price approximating the discounted amount of remaining rental payments. The lease obligation liability, discounted at 8%, has been recorded as shown below and the related assets are included in property, plant and equipment.

Long-term debt is summarized as follows:

Revolving credit agreement (described above)	$70,000,000
6¾% Notes, payable in Swiss francs, due July 1, 1974	11,547,559
Lease/purchase agreement (described above)	16,758,083
Other—owed by subsidiaries	6,419,143
	104,724,785
Less current portion	1,075,153
	$103,649,632

U.S. PLYWOOD-CHAMPION PAPERS INC.

	(in thousands of dollars)
Timberlands and Rights to Standing Timber, at cost—less depletion	$161,998
Long-term Liabilities:	
Timber cutting obligation	$25,858

Notes to Financial Statements

Note 10 (in part): Long-term Lease and Timber Cutting Obligations— Under a timber cutting contract, with current payments due of $2,648,000 as of December 31, 1970, 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.

Leases Not Capitalized

ASHLAND OIL, INC.

Notes to Consolidated Financial Statements

Note G (in part): Commitments and Contingent Liabilities—The Company has long-term leases and is contingently liable for certain loans of other companies. In

the opinion of management, no material loss will result from any of these agreements. Data relating to the lease agreements follows:

Type of Property Leased	Cost of Property Leased	Expiration Dates of Leases	Average Annual Rental
Pipeline and other transportation facilities	$53,500,000	1983 to 1993	$4,100,000
Service stations and other marketing properties	34,600,000	1985 to 1994	2,700,000
Manufacturing facilities (including costof $7,000,000 not yet completed)	42,100,000	1982 to 1993	3,800,000
Office and research buildings (including cost of $25,000,000 not yet completed)	26,000,000	1996 to 2001	2,400,000
	$156,200,000		$13,000,000

Annual rentals on the above leases are as follows for fiscal year 1971–$11,500,000; 1972–$13,400,000; 1973–$13,300,000; 1974–$13,100,000; 1975–$13,000,000; and lesser amounts thereafter.

The Company proposes to enter into leases of service station land and improvements costing approximately $20,000,000 over a two year period and requiring rentals over primary terms of 25 years.

CONSOLIDATED FOODS CORPORATION

Notes to Financial Statements

Note 4: Long-term Leases—A number of properties are occupied by the Company under long-term leases. Minimum annual rentals under leases having an original life of more than five years average approximately $10,526,000 annually for fiscal years ending in 1971-1975, $7,689,000 in 1976-1980, $4,471,000 in 1981-1985, and $2,428,000 in 1986-1990. The total liability for years ending after 1990 is approximately $5,264,000.

The Company and certain of its subsidiaries have guaranteed long-term leases on retail stores operated by others and are also obligated under long-term leases for properties which have been subleased to others. The total minimum annual rentals under these leases average approximately $2,528,000 annually for the years ending 1971-1975, $1,678,000 in 1976-1980, $693,000 in 1981-1985, and $293,000 in 1986-1990. The total liability for years ending after 1990 is approximately $508,000.

GENERAL BOX COMPANY

Notes to Financial Statements

Note 5: Leases—At December 31, 1970, the Company is obligated under long-term leases on real property which provide for the payment of taxes, insurance and maintenance in addition to periodic rentals. Leases with annual rentals of $116,000 expire prior to 1980, leases with annual rentals of $369,000 expire between 1980 and 1990, and a lease with annual rentals of $77,000 expires in 1994. A lease with annual rentals of $20,000 expiring in 1986 relates to property no longer occupied by the Company,which property has been subleased to 1972. The Company has renewal options under certain of these leases which provide for lesser rentals during the renewal periods.

NEBRASKA CONSOLIDATED MILLS COMPANY

Notes to Consolidated Financial Statements

Note 12 (in part): Commitments and Contingencies—At June 28, 1970 the company and subsidiaries were liable for rentals aggregating approximately $1,139,000, payable over the remaining estimated lives of certain leased autos, trucks, trailers, etc. As of June 28, 1970 monthly rentals with respect to these leased units aggregated approximately $33,000.

Other scheduled rentals due on plants, office space, rail cars and ocean shipping vessels under lease at June 28, 1970 follow:

Fiscal years ending in	Approximate annual rentals during these periods
1971	$1,695,000
1972	1,595,000
1973	1,550,000
1974	1,415,000
1975	745,000
1976-1978	200,000
1979-1983	80,000

The company also leases a number of mill and elevator sites from railroads at nominal annual rentals. These leases may be cancelled on short notice by the railroads; however, this situation has existed for years.

PILLSBURY COMPANY

Notes to Consolidated Financial Statement

Note 8 (in part): Commitments and Contingent Liabilities—Non-cancellable leases provide for approximate aggregate minimum rentals for the periods ending May 31 as follows (in thousands of dollars):

	On Property Used in Operations	On Property Subleased
1971-75	$20,956	$8,640
1976-80	12,453	8,042
1981-85	6,970	5,205
1986-90	2,271	1,664

Principal leases covering periods subsequent to 1990 consist of two land leases and a water power lease under which the minimum annual rentals are not material.

Certain of these leases also provide for the payment of real estate taxes and insurance. Subleases are principally for the same periods of time as the related leases and substantially all of the subleases provide for additional rental payments based on sales. Total rental expense for the year ended May 31, 1970, was approximately $8,300,000.

TABLE 2-43: DEFERRED TAXES IN NONCURRENT LIABILITIES

Description	1970	1969	1968	1967
Deferred income taxes	231	208	186	
Deferred federal income taxes	118	133	158	N/C
Deferred taxes (on income)	41	49	39	
Other captions	61	45	42	
Number of Companies				
With noncurrent credit for deferred taxes	451	435	425	388
Without such item	149	165	175	212
Total	600	600	600	600
Companies disclosing deferred investment credit in balance sheet	50	53	52	65

N/C—Not compiled.

DEFERRED TAXES

The captions used for deferred taxes are summarized in Table 2-43. Examples of presentations of deferred taxes and deferred investment tax credits are presented in connection with Tables 3-18 and 3-19, respectively.

MINORITY INTERESTS

All but 17 of the 187 survey companies indicated in Table 2-44 as disclosing a balance sheet amount for minority interest used the term *minority*. Examples of balance sheet caption for minority interest follow. See Table 3-25 for the presentation of minority interest in the income statement.

AMERICAN AIR FILTER COMPANY, INC.

Deferred taxes	$1,055,748
Long-term debt	24,476,373
Equity of others in subsidiaries	945,995

CHRYSLER CORPORATION

Long-term Debt:	
Notes and debentures payable	$671,053,172
Convertible sinking fund debentures	119,999,000
Total Long-term Debt	$791,052,172
Minority Interest in Net Assets of Consolidated Subsidiaries	79,742,516

GARLOCK INC.

Shareholders' Ownership	
Minority interest in subsidiaries	$1,844,736
Garlock Inc. shareholders:	
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	2,529,493
Retained Earnings	28,488,214

THE GENERAL TIRE & RUBBER COMPANY

Long Term Debt	$173,166,000
Deferred income taxes	3,146,000
Minority interest in Aerojet-General Corporation—17.8% common stock equity	22,028,000

SAFEWAY STORES, INCORPORATED

Long-term Liabilities and Reserves	
Notes payable	$46,378,714
Deferred income taxes	19,542,514
Minority interest in capital stock and retained earnings of subsidiaries:	
Preferred stock of Canadian subsidiary	5,254,000
Overseas subsidiary	47,076

XEROX CORPORATION

Long-term Debt	$361,676
Outside Shareholders' Interests in Net Assets of Subsidiaries	88,412

TABLE 2-44: MINORITY INTEREST—BALANCE SHEET PRESENTATION

Number of Companies	1970	1969	1965	1960
Amount of minority interest disclosed	187	187		
Minority interest indicated but amount not disclosed	17	22	136	112
No indication of minority interest	379	368	419	404
Statements not consolidated	17	23	45	84
Total	600	600	600	600

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 2-45. Examples of such items follow.

TABLE 2-45: OTHER LONG-TERM LIABILITIES, DEFERRED CREDITS AND RESERVES

Caption Presented	1970	1969	1965	1960
Employee liabilities:				
Deferred compensation, bonus, etc.	87	86	52	32
Pension or retirement plan	71	71	43	39
Other	34	24	33	30
Reserves or estimated losses:				
Self-insurance	34	45	60	78
Foreign investments or operations	35	36	48	28
Discontinued operations	26	15	9	3
General contingency	7	11	28	47
Repairs, furnace, relining, etc.	5	7	15	15
Deferred credits:				
Deferred profit on sales	17	14	20	17
Excess of equity in companies acquired over cost	15	16	15	10
Payments received in advance, warranties, etc.	13	27	32	26
Deferred income or credits not otherwise described	37	29	38	30
Production payments	7	19	17	N/C
Other captions	41	48	N/C	N/C
"Miscellaneous," "Sundry," or "other" liabilities or reserves	127	114	N/C	N/C
Total	556	562		
Number of Companies				
Presenting such items	340	365		
Not presenting such items	260	235		
Total	600	600		

N/C—Not compiled.

Employee Liabilities

AMERICAN CYANAMID COMPANY

Incentive Compensation Contingently Payable (Note 5) $4,098,813

Note 5: The accounts for 1970 include provision for incentive compensation to officers and other employees. A portion of such amount is not payable currently in cash but is contingently payable in Common Stock of the company after employment terminates; pending allotment of the amount available for 1970, the portion so contingently payable in Common Stock is not determinable. The amount contingently payable in respect of allotments for prior years is $4,098,813.

CHERRY-BURRELL CORPORATION

Pension Provisions Note Currently Payable $840,229

Notes to Consolidated Financial Statements

Note 2: Pension Plans—The company has noncontributory pension plans for substantially all salaried and hourly employees. Pension expense for the years ended October 31, 1970 and 1969 was $375,000 and $326,000, respectively, which includes normal cost plus interest on unfunded past-service cost. The actuarially computed value of vested benefits for all plans exceeded the total market value of the pension funds' assets and balance sheet accruals by approximately $334,000 at October 31, 1970.

BRUNSWICK CORPORATION

Deferred Compensation (Note 5) $1,188,000

Note 5: Deferred Compensation— A management incentive compensation plan provides that incentive compensation may be paid to certain officers (excluding the Chairman of the Board and the President) and employees when consolidated earnings reach specified percentages of shareholders' equity. Participants may elect to defer receipt of such incentive compensation until retirement or termination of employment. Under certain limited circumstances, the plan provides that the Company may offer selected employees the right to purchase shares of treasury stock at market value on an installment basis.

Deferred compensation also includes amounts payable after retirement to officers pursuant to an employment agreement or for additional compensation earned prior to 1961 under an employee bonus plan, and amounts payable to retail bowling center managers under an incentive plan related to the income of their respective centers.

The Board of Directors has adopted a new deferred compensation plan effective January 1, 1971, under which directors and certain officers and employees may elect to defer a portion of their compensation. The Company may, after consultation with the participant, invest such deferred sums in securities, and the participant will be paid an amount equal to the value of the securities, or the deferred amount of cash if not so invested, at dates agreed upon by the Company and the participant.

BUCYRUS-ERIE COMPANY

Deferred Liabilities:	
Pension costs and other compensation—Note D	*$2,692,625*

Note D: Pension and retirement plans—The Company and its subsidiaries have several pension plans covering substantially all of their employees. The total pension expense for the year includes, as to one of the plans, amortization of prior service costs over 40 years. The Company's policy is to fund all pension cost accrued subsequent to 1966.

E.I. duPONT DE NEMOURS & COMPANY

	(millions of dollars)
Bonus Payable Beyond One Year (Note 9)	$63.9

Bonus Payable Beyond One Year—includes bonus installments payable in cash of $29.8 and in 258,688 shares ($31.4) of common stock of the Company at December 31, 1970, and in cash of $32.7 and in 286,664 shares ($34.9) at December 31,1969. The total shown for this caption also includes the unawarded balance in the "B" Bonus Fund amounting to $2.7 and $1.6 at December 31, 1970 and December 31, 1969, respectively.

PPG INDUSTRIES, INC.

Deferred Credits and Accumulated Provisions	
Future income taxes	$51,533,000
Investment credit—unamortized balance	14,005,000
Maintenance and repairs	12,946,000
Foreign operations	9,411,000
Insurance and unfunded and uninsured pensions	5,930,000
Other	1,600,000
Total Deferred Credits and Accumulated Provisions	$95,425,000

Discontinued Operations

THE UNITED PIECE DYE WORKS

Liabilities in connection with extraordinary item (less current portion $283,226 reflected above) (Note 5)	$298,155

Note 5: Extraordinary items—The extraordinary items include (a) a charge of $754,121 representing costs incurred in connection with facilities abandoned during 1970, less an estimated income tax benefit of $362,000 applicable thereto and (b) a credit of $71,979 representing a net refund of federal income taxes in connection with an investment credit applicable to prior years.

Foreign Operations

PALL CORPORATION

Other Liabilities:	
Capitalized lease obligations	*$1,294,510*
Deferred income taxes	*311,132*
Unrealized gain on foreign exchange	*87,293*

Note 1 (in part): Consolidation of Statements—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, 1970 which were $2.40 to the pound sterling, $0.97 to the Canadian dollar, $0.275 to the deutschmark and $0.08 to the Mexican peso. Income and expense items were translated at average foreign exchange rates in effect during the year. Unrealized gain on foreign exchange of $87,293 has been deferred in the accompanying balance sheet.

Other—Identified

CYCLOPS CORPORATION

Deferred credit from acquisition, net of amortization (Note 1)	*$44,297,000*

Note 1: Principles of consolidation—The consolidated financial statements for 1970 include the accounts of the Company and its wholly-owned subsidiary, Detroit Steel Corporation. The Company did not have a subsidiary in 1969.

In March 1970, the Company acquired 19.3% of the outstanding common stock of Detroit Steel Corporation (Michigan) in exchange for $12,000,000 in cash, a 5% in-

stalment note for $5,000,000 and a warrant to purchase 150,000 shares of Cyclops common stock at $46 per share until April 1, 1980. On November 12, 1970, Detroit (Michigan) changed its name and transferred its operating assets, liabilities and business to its new wholly-owned subsidiary, Detroit Steel Corporation (Delaware). Concurrently, in accordance with a plan initiated earlier in the year, the Company acquired the capital stock of Detroit (Delaware) and a 4% promissory note of Detroit (Michigan) payable June 30, 1971 for $1,414,000 in exchange for its holdings in Detroit (Michigan).

The acquisition has been accounted for as a purchase. Accordingly, the results of operations of Detroit (Delaware) are included in the consolidated financial statements from the acquisition date. Net sales and net loss of Detroit (Delaware) for this period were $9,477,000 and $139,000 after giving effect to the amortization of deferred credit. The deferred credit from acquisition of $44,694,000 (see Note 9), representing the excess of amounts assigned to net assets over cost of $17,376,000, is being amortized over a period of 15 years.

Note 9: Contingencies—The Company has been named as codefendant in pending litigation with certain parties, including some minority shareholders of Detroit (Michigan), who are seeking monetary damages and/or rescission of the purchase. Management and legal counsel are of the opinion that the possibility of rescission is remote. Although the ultimate settlement of these matters is indeterminate at this time, it is also the opinion of management that settlement will not have a material adverse effect on the financial statements. Additional liability, if any, arising from these actions will reduce the deferred credit from acquisition.

EAGLE-PICHER INDUSTRES, INC.

Liabilities:	
Employee Benefits and Self-Insurance	$2,670,516

MELVILLE SHOE CORPORATION

Lease obligations for closed stores (note 3)	*$1,198,566*

Note 3 (in part): Federal Income Taxes— Deferred Federal income taxes have been provided to reflect the difference in timing of certain deductions for accounting and tax purposes. Such differences arise from (1) depreciation for accounting purposes which is provided on the straight line method based on estimated useful lives as contrasted with use of an accelerated method for tax purposes and (2) accrual of aggregate lease obligations relative to 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 approximated $350,000 in 1970 and $429,000 in 1969.

METRO-GOLDWYN-MAYER, INC.

Deferred Income	
Television contract installments	$32,118,000
Other	4,868,000
	$36,986,000

Notes to Financial Statements

Note 2: Television contracts—At August 31, 1970, the Company had entered into contracts for the licensing of films on television which provide for future installment payments aggregating $39,976,000. 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.

WYANDOTTE INDUSTRY CORPORATION

Estimated additional purchase price for companies acquired in 1967 (note 2)	$746,718

Note 2 (in part): Principles of Consolidation—The excess of cost of assets acquired over their assigned value, which arose primarily from the purchase of Allen Knitting Mills, Inc., in 1967, is not being amortized, since in the opinion of management there has been no diminution of value since acquisition. Under the terms of the purchase agreement, the Company is required to make additional payments to the prior owners of Allen Knitting Mills, Inc., based upon earnings, as defined, through 1972. The estimate of this liability has been reflected in the accompanying consolidated balance sheet. The Company is also contingently liable based upon future earnings to the former owners of other subsidiary companies under additional purchase agreements. At November 30, 1970, management estimates that future payments under these agreements will not be significant.

RESERVES—Use of the Term "Reserve"

Accounting Terminology Bulletin No. 1 recommends that the term reserve be used only to indicate, as an appropriation of retained earnings, that "an undivided portion of the assets is being held or retained for general or specific purposes. . ." Table 2-46 shows that a significant number of companies continue to use the term *reserve* in the asset and liability sections of the balance sheet.

TITLE OF THE "STOCKHOLDERS' EQUITY" SECTION

Table 2-47 summarizes the titles used in the 1970 published annual reports of the survey companies 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 *stockholders' equity* or *shareholders' equity.*

TABLE 2-46: USE OF TERM "RESERVE"

Use of Term "Reserve"	1970	1969	1968	1960
Reserves deducted from assets for:				
Uncollectible accounts	71	91	86	155
Depreciation	33	40	42	118
Investments	12	13	19	N/C
Inventories	10	9	7	42
Other assets	13	7	2	N/C
Total	139	160	156	
Liability reserves for:				
Current Liabilities:				
Taxes	5	6	10	19
Other	5	2	6	N/C
Long-term liabilities:				
Employee benefits or compensation	48	49	60	68
Insurance	34	34	38	95
Foreign operations or benefits	31	33	33	28
Taxes	24	23	20	56
Other liabilities	17	11	20	
"Miscellaneous" "general," or "contingency" reserves	73	75	58	N/C
Total	237	233	245	
Reserves included in stockholders' equity	4	4	3	
Number of Companies Presenting Reserves				
In assets only	63	68	70	
In assets and in liabilities	38	40	49	
In liabilities only	108	99	108	N/C
In neither assets nor liabilities	391	393	373	
Total	600	600	600	

N/C—Not compiled.

CAPITAL STRUCTURES

The various classes and combination of capital stock, as disclosed in the balance sheets of the 600 survey companies, are summarized in Table 2-48. 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. 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 2-40.

TABLE 2-47: STOCKHOLDERS' EQUITY SECTION—TITLE IN THE BALANCE SHEET

Title Used	1970	1969	1968	1965	1960
"Ownership" word,* with:					
Equity	514	504	497	400	303
Investment	43	48	47	57	59
Other term	9	7	9	17	14
Subtotal	566	559	553	474	376
Does Not Include "Ownership" Word:					
Capital stock and retained earnings (or surplus, etc.)	14	19	22	55	115
Capital	7	9	12	34	50
Capital and retained earnings (or surplus,. etc)	6	4	6	11	16
Other terms or title not set forth	7	9	7	26	43
Total	600	600	600	600	600
***Ownership Word**					
Stockholder	323	316	327	279	242
Shareholder	208	212	193	166	111
Other	35	31	33	29	23
Total	566	559	553	474	376

TABLE 2-48 CAPITAL STRUCTURES

Common Stock with*	1970	1969	1965	1960
A: No preferred stock	165	197	338	309
B: One class of preferred stock	314	268	204	247
C: Two classes of preferred stock	88	98	50	40
D: Three or more classes of preferred stock	33	37	8	4
Total	600	600	600	600
E: Companies using term,"Capital Stock"	24	40	78	98
F: Companies included above with two or more classes of common stock	20	23	9	11

*Refer to Company Appendix Section—A: 116, 168, 368; B: 293, 366, 701; C: 79, 703, 721; D: 127, 230, 299; E: 326, 382, 601, 653; F: 631, 645, 714.

Simple Capital Structures

ANHEUSER-BUSCH, INCORPORATED

Shareholders' Equity:

Common stock, $1 par value, authorized 30,000,000 shares; issued 22,625,674 shares	$ 22,625,000
Capital in excess of par value (principally arising from stock dividends)	71,224,000
Retained earnings	267,839,000
	361,688,000
Less cost of 270,194 shares of treasury stock	3,212,000
	$358,476,000

APCO OIL CORPORATION

Stockholders' equity:

Common stock, $1 par value $2,503,607

Authorized 6,000,000 shares:

	1970
Shares issued December 31	2,409,282
To be issued as stock dividend	94,325
	2,503,607

Additional paid-in capital	30,427,875
Retained earnings	23,800,713
Total stockholders' equity	$56,732,195

HEWLETT-PACKARD COMPANY

Shareowners' Equity:

Common stock, par value $1 a share:

	(Stated in shares)	(Thousands of dollars)
Authorized	40,000,000	---
Reserved for:		
Stock options	789,056	---
Employee stock purchase and award plans	1,048,861	---
Issued and outstanding	25,649,111	$25,649
Capital in excess of par value		33,297
Retained earnings		141,570
		$200,516

JEWEL COMPANIES, INC.

Shareholders' Investment: (In thousands)

Preferred stock—3¾% cumulative $100 par value—authorized and issued 48,000 shares at Jan. 30, 1971	$4,800
Common stock—$1 par value—authorized 15,000,000 shares, issued 7,313,596 shares at Jan. 30, 1971	66,796
Accumulated earnings—Reserved for self-insured losses and general contingencies	1,250
Accumulated earnings—Unappropriated	130,321
Treasury stock at cost	(1,309)
Total shareholders' investment	201,858

Notes to Consolidated Financial Statements

Preferred Stock

Under the sinking fund provisions relating to the preferred stock, Jewel must acquire annually on or before each June 30, at least 3,000 shares. As of January 30, 1971, there were 18,701 shares in the treasury at a cost of $1,286,000, approximately $69 per share, covering the sinking fund requirements through June 30, 1974. The preferred stock may be redeemed in whole or in part on 30 days notice at $103 per share, plus accrued dividends.

Common Stock

Common stock transactions during the year were as follows:

	(In thousands) Shares	Amount
Balance at beginning of year	6,637	$42,415
Public offering	650	23,409
Issued for stock options	27	952
Other transactions	---	20
Balance at end of year	7,314	$66,796

During the year, 10,777 shares of treasury stock, costing $528,000, were issued primarily for the Company's Employee Stock Purchase Plan, reducing common shares in the treasury to 437 shares, costing $23,000 at January 30, 1971. The Company did not acquire treasury shares during 1970.

At January 30, 1971, there were 518,885 shares of

common stock reserved, of which 101,078 shares were for employee stock purchase plan purchases and 417,807 shares were for stock options described in the following table:

	Number of Shares		
	Reserved	Granted	Available
Balance at beginning of year	245,157	213,450	31,707
Reserved	200,000	---	200,000
Granted	---	151,000	(151,000)
Exercised	(27,350)	(27,350)	---
Cancelled	---	(2,500)	2,500
Balance at end of year	417,807	334,600	83,207
Options exercisable January 30, 1971		99,800	

Outstanding options were granted at prices ranging from $26.38 to $53.50 per share, the approximate market price on the date of grant, become exercisable in equal installments over a four-year period and expire from five to ten years from the date of grant.

SPARTON CORPORATION

Shareowners' equity:

Preferred stock:	
Par value $100; 6% cumulative, callable at $110 per share, (1970—authorized none; 1969—authorized 10,000 shares, outstanding 3,637 shares) (Note 4)	---
Serial, no par value; 200,000 shares authorized	---
Common stock, $2.50 par value; 3,000,000 shares authorized—821,588 shares outstanding (873,888 in 1969) after deducting 114,586 shares in treasury (62,286 in 1969) (Notes 3, 4 and 7)	$2,053,970
Capital in excess of par value (Note 4)	632,875
Retained earnings	10,858,655
Total shareowners' equity	$13,545,500

Note 3: Stock Options—During the year, options to purchase 12,750 shares were granted and options to purchase 7,400 shares were cancelled. No options were exercised during fiscal 1970.

At June 30, 1970, 40,500 unissued common shares were reserved for issuance under stock options, of which 33,650 shares were under option at prices per share of $8.00 (4,200 shares), $8.25 (3,000 shares), $12.00 (5,000 shares), $12.375 (8,750 shares), $13.625 (10,700 shares) and $13.75 (2,000 shares), representing approximate market values at dates granted. The options are exercisable in installments on various dates, the latest of which is June 25, 1975.

Note 4: Treasury Stock—During the year the Company reacquired 52,300 shares of its common stock at a cost of $578,554. The excess of the cost over the par value of the shares acquired was charged to capital in excess of par value ($39,576) and to retained earnings ($408,228).

The Company also purchased 1,571 shares of its outstanding preferred stock and called for redemption the remaining 2,066 outstanding shares. The aggregate purchase cost was $11,140 less than the par value of the shares and this amount was credited to capital in excess of par value. At the Directors' meeting on June 26, 1970, the authorization for the 6% preferred stock was eliminated from the Company's Articles of Incorporation.

Note 7: Subsequent Event—On July 24, 1970 the Company issued an offer to purchase up to 100,000 shares of its common stock at $10.00 per share. The offer, which expired August 10, 1970 and was extended to August 24, 1970, provides that the Company may elect to purchase some or all shares tendered in excess of the original offer. At August 14, 1970, a total of 107,283 common shares had been tendered and accepted by the Company.

Complex Capital Structures

AMERICAN BAKERIES COMPANY

Stockholders' Equity (Notes 3 and 4)

Cumulative prior preferred stock—	
$1.80 series, 87,512 shares, stated at liquidating value of $35 per share	$3,062,920
$1.80 convertible series, 100,000 shares, stated at par value of $25 per share	2,500,000
5% cumulative convertible preferred stock, $100 par value; outstanding 83,855 shares in 1970 and 83,939 shares in 1969	8,385,500
Common stock, no par value: authorized 5,000,000 shares; issued 2,038,455 shares in 1970 and 2,038,058 shares in 1969	8,096,524
Retained earnings	29,747,936
	$51,792,880
Less—Capital stock held in treasury, at cost—	
Common (7,237 shares)	$213,856
$1.80 cumulative prior preferred (2,261 shares)	39,225
5% cumulative convertible preferred (2,033 shares)	130,906
	$383,987
	$51,408,893

Note (3): Preferred Stock—The following are descriptions of the three preferred stock issues:

(a) The cumulative prior preferred stock, $1.80 series, has a par value of $25 per share, and is redeemable and has a preference in liquidation at $35 per share. Each share is entitled to one vote.

(b) On October 29, 1969, 100,000 shares of cumulative prior preferred stock, $1.80 convertible series, were sold at par, $25 per share, to Grant Associates. Commencing on or before January 1, 1975, the company must set aside in a sinking fund annually amounts sufficient to redeem at least 5,000 shares at $25 per share. Each share of such stock may be converted at any time into

common stock at a conversion price of $12.50 per share. Each share of this series of cumulative prior preferred stock is entitled to two votes, and may be redeemed by the company at any time and has preference in liquidation at $35 per share.

(c) The 5% cumulative convertible preferred stock has a par value and a liquidation preference of $100 per share and is subordinate to the cumulative prior preferred stock. It is redeemable after July 15, 1967 at $105 per share. Each share is entitled to one vote and may be converted into common stock at $21.09 (adjusted for dilutive effects of $1.80 convertible series described above and stock options). During 1970, 84 shares of this stock were converted into 397 shares of common stock.

In 1970, the shareholders authorized 1,000,000 shares of Preference Stock issuable in series with the number of shares, rights, preferences, and terms of each series to be established by the Board of Directors. No shares under this authorization have been issued.

Note (4): Common Stock—In connection with the sale of 100,000 shares of $1.80 convertible series preferred stock, warrants for the purchase of 100,000 shares of common stock at $15 per share were sold in 1969 for $5,000. These warrants are exercisable after January 1, 1970.

As of January 2, 1971, the company had 284,905 shares of common stock reserved for issuance under stock option plans. At that date, options to purchase 151,385 shares were outstanding at prices ranging from $10.00 to $30.38, of which options for 146,885 shares were then exercisable. During 1970, options for 6,500 shares were granted, options for 15,450 shares were cancelled, no options expired, and no options were exercised.

Per share earnings applicable to common stock are based on the weighted average number of common shares outstanding during each year, after recognition of the dividend requirements on preferred stock. As of January 2, 1971, there would be no dilution of common earnings per share had the stock options and warrants been exercised and preferred stock converted into common.

Common stock transactions for the year ended January 2, 1971, were as follows:

	Common Shares
Balance at beginning of year, as previously reported	2,018,058
Shares issued to acquire Ohio Outdoor Advertising Corporation, accounted for on a pooling-of-interests basis (Note 1)	20,000
Balance at beginning of year, as restated	2,038,058
5% preferred converted into common	397
Balance at end of year	2,038,455

As of January 2, 1971, 972,741 shares of common stock were reserved for conversion of preferred stock and exercise of warrants and stock options.

FORD MOTOR COMPANY

Stockholders' Equity	*(In millions of dollars)*
Capital stock, par value $2.50 a share, 1970—109,068,338 shares and 1969—109,316,726 shares	$272.7
Capital account in excess of par value of stock	344.4
Earnings retained for use in the business	4,850.8
Total stockholders' equity	$5,467.9

Notes to Financial Statements

Capital Stock—Authorized and issued shares of capital stock at December 31, 1970 were as follows:

	Authorized Shares	Issued Shares	Issued Amount (millions)
Class A Stock (Nonvoting)	107,873,671	24,187,142	$60.5
Class B Stock(Voting)	29,206,083	12,167,583	30.4
Common Stock (Voting)	250,000,000	72,713,613	181.8
	387,079,754	109,068,338	$272.7

All general voting power is vested exclusively in the holders of Common Stock and the holders of Class B Stock, voting together without regard to class. At December 31, 1970, the holders of Common Stock were entitled to one vote per share and in the aggregate had 60% of the general voting power, and the holders of Class B Stock were entitled to such number of votes per share as would give them in the aggregate the remaining 40% of the general voting power, as provided in the Company's Certificate of Incorporation. The Certificate provides that all shares of Common Stock, Class A Stock and Class B Stock share equally in the assets upon liquidation and in dividends, except that any stock dividends are payable in shares of Common Stock to holders of that class, Class A Stock to holders of that class, and Class B Stock to holders of that class.

The Company is acquiring a large portion of its requirements for Common Stock for the Company's Stock Option Plans by purchases of shares of Class A Stock of the Company from The Ford Foundation pursuant to an agreement with the Foundation. These shares are retired following acquisition and shares of Common Stock are issued, as needed, to employees in connection with option exercises. During 1970, 327,555 shares of Class A Stock were acquired from the Foundation for this purpose at a cost of $13.8 million.

H.J. HEINZ COMPANY

Shareholders' equity:	
Cumulative preferred stock—authorized 138,859 shares—par value $100 pe share—issuable in series:	
3.65% series—authorized 38,859 shares—issued 38,859 shares (Note 4) ..	$3,885,900
Second cumulative preferred stock—authorized 119,203 shares—par value $18.50 per share (having an involuntary liquidation value of $100 per share of $10,851,100 based on shares outstanding)—issuable in series:	
$3.50 first series—authorized 72,451 shares—issued 72,451 shares (Note 4) ...	1,340,344
$3.50 second series—authorized 44,997 shares—issued 36,060 shares (Notes 4 and 5) ...	667,110
Common stock — authorized 20,000,000 shares—par value $4.16⅔per share—outstanding 14,419,889 shares (Note 4) ...	60,082,870
Additional capital ...	53,141,345
Retained earnings ...	224,452,153
	$343,569,722

Note 4: 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 April 30, 1969 ...	44,382	97,693	72,714	12,571,862
Reacquired and retired ...	(5,523)	---	---	---
Converted to common stock ...	---	(25,242)	(36,654)	---
Issued for second cumulative preferred stock: ...				
$3.50 first series ...	---	---	---	112,177
$3.50 second series ...	---	---	---	146,616
Issued on exercise of stock options ...	---	---	---	83,200
Issued to public ...	---	---	---	1,500,000
Issued under management incentive plan ...	---	---	---	6,034
Outstanding April 29, 1970. ...	38,859	72.451	36,060	14,419,889

The 3.65% series cumulative preferred stock is callable or redeemable through the sinking fund at $102.75 per share. A payment, not exceeding $200,000 is required to be made to the sinking fund on or before October 1 of each year.

The $3.50 first series second cumulative preferred stock is convertible into common stock at any time prior to June 1, 1973 at an initial conversion rate of 200/45 shares of common stock and may be redeemed by the Company to May 31, 1970 at $102.00 per share and at decreasing prices thereafter. On or before August 1, 1973, and on or before each August 1 thereafter, so long as any shares of this series are outstanding, the Company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise, shares of this series equal to 2% of the total number of shares outstanding at the close of business on June 1, 1973. Cumulative arrearages as to such retirements are permissible in the event that consolidated net income, less certain deductions, is less than the amount necessary to pay in full all requirements to retire shares of all series of the second preferred stock.

The $3.50 second series second cumulative preferred stock is convertible into common stock at any time prior to February 1, 1976 at an initial conversion rate of four shares of common stock and may be redeemed by the Company from February 1, 1971 to and including January 31, 1972 at $102.50 per share and at decreasing prices thereafter. On or before April 1, 1976, and on or before each April 1 thereafter, so long as any shares of this series are outstanding, the Company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise, shares of this series equal to 2% of the total number of shares outstanding at the close of business on February 1, 1976. Cumulative arrearages as to such retirements are permissible to the same extent as that enumerated above regarding the $3.50 first series second cumulative preferred stock.

At April 29, 1970, there were authorized, but unissued, 250,000 shares of third cumulative preferred stock of the par value of $100.00 per share.

At April 29, 1970, 757,338 shares of common stock were reserved for conversion of second cumulative preferred stock outstanding or issuable under a stock purchase warrant and for outstanding options or for the granting of options under the employees' stock option plan.

KINNEY NATIONAL SERVICES, INC.

Shareholders' equity (Note 7)	*(thousands of dollars)*
Convertible Preferred shares, par value $1 per share, 20,000,000 shares authorized (excess of preference upon involuntary liquidation over par value of all applicable outstanding Preferred shares-$79,409):	
Series A ...	$743
Series B ...	384
Series C ...	4,518
Series D ...	2,496
Common shares, par value $1 per share, 40,000,000 shares authorized ...	10,854
Paid in capital ...	57,002
Retained earnings ...	88,568
Total shareholders' equity ...	164,565

Note 7: Capital shares—Transactions involving capital shares during the year and authorized shares at Sep-

tember 30, 1970 were as follows (columns for common shares omitted)

	Preferred Shares Issued, $1 Par Value			
	Series A	Series B	Series C	Series D
Balance at September 30, 1969, as adjusted	881,607	420,974	4,101,350	3,266,266
Shares issued during year:				
Upon exercise of stock options	1,947		74,156	75,073
Conversions of Preferred shares into Common shares	(140,578)	(37,030)	(16)	(1,191,758)
Conversions of Debentures into Preferred shares			109,863	111,210
Under Key Employees' Restricted Stock Plan and stock agreements			231,914	234,813
Shares at September 30, 1970		326	541	549
	742,976	384,270	4,517,808	2,496,153
Shares authorized	1,000,000	700,000	10,000,000	6,500,000

Each Series A convertible Preferred share is (1) entitled to earn cumulative quarterly dividends at an annual rate of $.90, (2) convertible into two Common shares, and (3) not entitled to any preference upon liquidation except for accrued and unpaid dividends. After August 12, 1971, Kinney may redeem these shares, in whole or in part, at a price of $40 per share, plus accrued and unpaid dividends.

Each Series B convertible Preferred share is (1) entitled to earn cumulative quarterly dividends at an annual rate of $4.25, (2) convertible into 3.48 Common shares, and (3) entitled to a $50 preference upon liquidation plus accrued and unpaid dividends. After January 1, 1974, Kinney may redeem these shares, in whole or in part, at a price of $104.25 a share, which is reduced each year to a minimum of $100 in 1982 and thereafter, plus accrued and unpaid dividends.

Each Series C convertible Preferred share is (1) entitled to earn cumulative annual dividends of $.05 a share, (2) convertible until January 8, 1980 into one Common share with the surrender of one share of Series C stock together with $37 or, alternatively, is convertible at any time into one Common share with the surrender of one share of Series C stock together with certificates representing 15 additional shares of Series C stock, and (3) entitled to a $2.74 preference upon liquidation plus accrued and unpaid dividends. After July 7, 1979, Kinney may redeem these shares, in whole or in part, at a price of $2.50 a share, plus accrued and unpaid dividends.

Each Series D convertible Preferred share is (1) entitled to earn cumulative quarterly dividends at an annual rate of $1.25, (2) convertible into two Common shares, and (3) entitled to a $22.12 preference upon liquidation plus accrued and unpaid dividends. After July 7, 1974, Kinney may redeem these shares, in whole or in part, at a price of $100 a share, plus accrued and unpaid dividends.

The aggregate excess of preference upon involuntary liquidation of the outstanding Series B, Series C and Series D Preferred shares over par value thereof ($79,409,000 at September 30, 1970) does not, in the opinion of counsel, constitute a restriction on the payment of dividends.

At September 30, 1970, Common shares reserved for future issuance for specified purposes were as follows:

Conversions of Preferred shares outstanding—		
Series A	1,485,952	
Series B	1,337,260	
Series C	4,517,808	
Series D	4,992,306	12,333,326
Conversion of 105,742 shares of Series C and 107,053 shares of Series D stock to be issued upon conversion of outstanding 5% Convertible Subordinated Debentures (due 1988)		319,848
Issuance upon conversion of 6¾% Convertible Subordinated Debentures (due 1990), 5% Convertible Subordinated Debentures (due 1971 to 1979), 5⅜% Convertible Subordinated Debentures (due 1980 to 1985) and certain contractual obligations		1,536,013
Issuance under Kinney's Common Stock Option and Key Employees' Restricted Stock Plans		1,260,393
Issuance upon conversion of Preferred shares to be issued under the Series A and Series C and D Stock Option Plans		713,799
Issuance contingent upon the future earnings of acquired companies and certain other conditions		165,339
		16,328,718

Certain of these classes of securities were used in computing net income per Common and Common equivalent share (see Note 11).

LING-TEMCO-VOUGHT, INC.

Shareholders' Equity—Notes D and E.

	(In thousands)
$5 Series A cumulative preferred stock, par value $5 (convertible until 1977; liquidating preference $51,524,000 at December 31, 1970)	$2,522
Series B cumulative convertible preferred stock; par value $1 (liquidating preference $7,736,000 at December 31, 1970)	200
Series C cumulative preferred stock, par value $1 (liquidating preference $967,000 at December 31, 1970)	25
Special Stock, Class AA accumulating convertible, par value $0.50	755
Common stock, par value $0.50	1,412
Capital surplus	227,036
Retained earnings (deficit)	(50,460)
Total Shareholders' Equity	$181,490

Note D: Capital Shares—Changes in outstanding

capital shares during the year ended December 31, 1970 are presented in the following summary:

	Series A Preferred Stock	Other Preferred Stocks	Special Stock Class AA	Common Stock
Outstanding at January 1, 1970	504,437	--	1,653,687	2,423,759
Conversion of preferred shares	(2)	--	--	2
Exercise of stock options	300	--	--	113
Conversion of Special Stock, Class AA	--	--	(144,761)	137,499
Shares issued in exchange for minority interest in the capital shares of Okonite (See Note A)	--	224,999	--	261,976
Cancelled	--	--	--	(7)
Outstanding at December 31, 1970	504,735	224,999	1,508,926	2,823,342

The above summary does not include 1,493,942 common shares and 308,730 Series A preferred shares held in treasury at December 31, 1970 and 1,755,918 common shares and 308,730 Series A preferred shares so held at December 31, 1969.

The Company's authorized capital shares are described as follows:

	December 31, 1970	December 31, 1969
Preferred stock, $5 par value (designated as "$5 Series A Cumulative Preferred Stock")	921,388	921,390
Preferred stock, $1 par value (designated as "Series B Cumulative Convertible Preferred Stock")	200,000	--
Preferred stock, $1 par value (designated as "Series C Cumulative Preferred Stock")	24,999	--
Preferred stock, $1 par value (undesignated and unissued)	1,036,545	1,261,544
Special Stock, $0.50 par value (of which 7,350,000 shares have been designated as "Special Stock, Class AA Accumulating Convertible")	15,000,000	15,000,000
Common stock, $0.50 par value	40,000,000	40,000,000

The Series A Preferred Stock is convertible into common stock in the ratio of one share of Series A Preferred Stock to 1.2 common shares, at any time prior to May 1, 1977. The Series B Preferred Stock is convertible into common stock at any time prior to October 19, 1972 in the ratio of one share of Series B Preferred Stock to 0.4 common share and thereafter through November 18, 1973 in the ratio of one share of Series B Preferred Stock to 0.3378 common share. The conversion ratios of the Series A and Series B Preferred Stocks are subject to adjustment in order to prevent dilution of the conversion rights.

Holders of the Series A Preferred Stock are entitled to receive cumulative cash dividends at the annual rate of $5 per share, payable quarterly. Holders of the Series B and Series C Preferred Stocks are entitled to receive cumulative cash dividends payable quarterly, commencing April 19, 1970 at annual rates of $1.14 through October 18, 1970; $1.52 through October 18, 1971; and $1.71 (in the case of the Series B Preferred Stock) and $1.90 (in the case of the Series C Preferred Stock) thereafter. On September 1, 1970, the Company suspended indefinitely payments of dividends on the preferred stocks. To the extent dividends on preferred stocks have accrued and have not been paid, the aggregate amount of such dividends must be paid before any dividends are paid on the common stock.

In the event of liquidation, the Series A, Series B and Series C Preferred Stocks will be entitled to receive $100, $38 and $38, respectively, per share, plus accumulated dividends. At December 31, 1970, the aggregate amounts of such preferences in excess of the respective par values amounted to: Series A—$49,002,000; Series B—$7,536,000; Series C—$942,000. Such amounts include accumulated unpaid dividends (Series A—$1,051,000; Series B—$136,000; Series C—$16,000). 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 and equivalent Class AA shares have received $30 per share.

The Series A Preferred Stock is subject to redemption on or after June 30, 1972 at $100 per share plus accumulated unpaid dividends, and one-tenth 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 B and Series C preferred stocks are subject to redemption on or after November 19, 1972 at $38 per share plus accumulated unpaid dividends and one-half of total shares which have been issued are required to be redeemed on November 19 in each of the years 1972 and 1973.

The Special Stock, Class AA, is convertible into common shares at conversion ratios increasing annually from 1.05 shares of common stock at December 31, 1970 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. On November 3, 1970, the Company indefinitely suspended payment of the annual 3% stock dividend on the Special Stock. To the extent annual stock dividends have accrued and not been paid, the aggregate amount of such stock dividends must be paid before any cash dividends arepaid on the common stock.

The holders of each class of capital stock of the Company generally are entitled to one vote per share, subject to certain limitations.

Note E: Common Stock Reserved—In May 1970 pursuant to the merger of Okonite, Series B Cumulative Convertible Preferred shares of the Company were issued, certain debentures of Okonite became convertible into 504,380 shares of the Company's common stock at a price of $78.07 per share (as adjusted under anti-dilution provisions), and the warrants of Okonite became warrants to purchase shares of the Company's common stock (249,980 shares at $70.00 and 40,000 shares at $70.94).

At December 31, 1970, the Company had reserved shares of its common stock as follows, of which 1,227,778 shares were held in treasury.

	Shares†	Price per share†
Warrants expiring:		
January 10, 1972	178,525	$48.84
June 1, 1973	587,651	115.95
June 15, 1973	202,725	15.00
January 8, 1975	200,000	27.50*
January 15, 1978	5,125,586	97.19
July 15, 1978	249,980	70.00
November 1, 1978	40,000	70.94
December 31, 1978	36,277	122.77
April 1, 1979	943,729	57.99
Conversion of 5% Guaranteed debentures of a subsidiary	676,103	114.45
Conversion of 4¾% debentures of a subsidiary	504,380	78.07
Conversion of Special Stock, Class AA	2,263,389	
Conversion of $5 Series A Preferred Stock	605,682	
Conversion of Series B Preferred Stock	80,000	
Stock options (See Note F)	77,212	

†As adjusted pursuant to anti-dilution provisions for transactions occurring through December 31, 1970.
*Exercise price is $40 after January 8, 1973.

THE STANDARD OIL COMPANY (An Ohio Corporation)

	(Thousands of Dollars)
Stockholders' Equity	
Capital stock—Note D	
Preferred—cumulative, $100 par value	
Series A, 3¾%	$13,893
Series B, 4% convertible	2,276
Special—stated value	25,344
Common—$5 par value	67,706
	$109,219
Additional paid-in capital	581,946
Retained earnings	336,487
	$1,027,652
Less capital stock in treasury—at cost	
Preferred—Series A	374
Common	9,561
	9,935
	$1,017,717

Notes to Consolidated Financial Statements

Note D: Capital Stock—

	Shares Authorized	Shares Issued
Preferred—cumulative, $100 par value (issuable in series)	345,629	
Series A, 3¾%		138,934
Series B, 4% convertible		22,755
Special—without par value	1,000	1,000
Common—$5 par value	40,000,000	13,541,139

Shares issued include 5,564 Series A preferred and 165,218 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 33,919 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 (not to exceed net income in any year) 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 2-49. 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 2-50. 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

TABLE 2-49: COMMON STOCK—VALUE SHOWN

Basis of Valuation	1970	1969	1968
Par value stock:			
At par value	498	501	494
At assigned value per share	5	5	7
At amount in excess of par value per share	46	44	41
No par value stock:			
At assigned value per share	15	17	17
At aggregate value	56	55	56
Issues Outstanding	620	622	615

of shares outstanding during the period. Minor increases and decreases in the number of common shares outstanding during the period may be disregarded; under 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.

Common Stock Extended at Par Value

ADMIRAL CORPORATION

Stockholders' Equity	
Preferred Stock—no par value—300,000 shares-authorized and unissued	--
Common Stock—par value $1 per share—authorized 9,000,000 shares; issued 5,202,802	$5,202,802
Capital in excess of par value	11,150,267
Retained earnings	53,904,796
	$70,257,865
Deduct: Common Stock (40,000 shares) held in treasury—at cost	320,093
Total Stockholders' Equity	$69,937,772

TABLE 2-50: COMMON STOCK STATUS

Number of Issues Shown For*	1970	1969	1965	1960
A: Authorized, issued	354	340	308	245
B: Authorized, outstanding	132	142	142	151
C: Authorized, issued, outstanding	133	136	153	196
Other	1	4	6	19
Total	620	622	609	611

*Refer to Company Appendix Section—A: 26, 213, 565, 572, 661; B: 329, 553, 666, 698; C: 45, 65, 163, 701.

EAGLE-PICHER INDUSTRIES, INC.

Shareholders' Equity	
Preference stock	$12,039,126
Common stock	11,039,200
Retained earnings	65,252,544
	$88,330,870
Less cost of treasury shares	304,449
Total shareholders' equity	$88,026,421

Notes to Financial Statements

Common Stock—Authorized at November 30, 1970 and 1969 were 7,500,000 common shares of $2.50 par value. Outstanding on those dates were respectively 4,402,268 and 4,408,525 shares, excluding treasury shares. At November 30, 1969 there were 7,155 common shares in the treasury, and during the year 84,803 shares were purchased and 78,546 were reissued, leaving 13,412 shares at November 30, 1970.

GRUEN INDUSTRIES, INC.

Capital:	
Common stock, $1 par value; authorized 4,000,000 shares, issued and outstanding shares, 1970, 1,641,961	$1,641,961
Other paid-in capital	4,272,777
Retained earnings, as annexed	1,940,346
	$7,855,084

HALLIBURTON COMPANY

Stockholders' Equity (Note 6):	
Common stock	$43,566,188
Paid-in capital in excess of par value	13,195,062
Retained earnings	287,329,515
	$344,090,765
Less: Treasury stock, at cost	8,651,103
Total stockholders' equity	$335,439,662

Note 6: Capital Stock (in part)—Authorized preferred stock, without par value, issuable in one or more series under such terms and conditions as may be specified by the Board of Directors amounted to 5,000,000 shares. No shares have been issued. Authorized common stock, par value $2.50, amounted to 25,000,000 shares. A summary of changes in common stock outstanding and paid-in capital in excess of par value during the year is as follows:

	Common Stock		Paid-in Capital in Excess of
	Shares	Amount	Par Value
Balance at beginning of year	17,372,053	$43,430,133	$11,710,314
Exercise of employees' stock options	50,822	127,055	861,601
Sale of restricted stock to employees	3,600	9,000	--
Amortization of market value in excess of proceeds received on sale of restricted stock	--	--	623,147
Balance at end of year	17,426,475	$43,566,188	$13,195,062

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, $100 par value, 1,000,000 shares authorized, 496,226 shares outstanding (498,826 in 1969)	49,622,000
Common stock, $5 par value, 20,000,000 shares authorized, 10,911,341 shares outstanding, excluding 40,123 shares in treasury	54,557,000
Capital in excess of par value	3,355,000
Retained earnings	82,723,000
Total shareholders' equity	$200,090,000

Common Stock Extended at Stated Value

BIRD & SON, INC.

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	932,000
Retained earnings	34,765,000
	$41,697,000
Less—Treasury stock, at cost:	
Preferred—15,150 shares	(1,390,000)
Common—59,809 shares	(1,631,000)
	$38,676,000

PULLMAN INCORPORATED

Stockholders' Equity	
Preferred stock, $1 par value	(Shares)
Authorized	2,000,000
Issued	None
Common stock, no par value (stated value $20 per share)	
Authorized	7,750,000
Issued	4,829,481
Held in treasury	44,580
Outstanding	4,784,901
	$95,698,000
Capital in excess of stated value	31,621,000
Retained earnings	100,567,000
Total stockholders' equity	$227,886,000

THE RUCKER COMPANY

Stockholders' Equity:	
Serial Preferred Stock, without par value	
Authorized 2,000,000 shares	
Outstanding 50,000 shares of $5 Cumulative Convertible Preferred Stock	$5,000,000
Common Stock, without par value, stated value $1.00 per share	
Authorized, 10,000,000 shares	
Issued, 1970 (including shares in treasury)—3,181,136 shares;	3,181,136
Capital in excess of stated value of common stock	7,684,812
Retained earnings	9,162,246
Less cost of 40,771 common shares held in treasury	(487,129)
Total stockholders' equity	$24,541,065

L.S. STARRETT COMPANY

Stockholders' Equity:	
Common Stock (1,996,215 shares outstanding in 1970, 1,944,783 shares in 1969)	$2,495,269
Additional Paid-in Capital	4,274,551
Retained Earnings	17,195,435
Total stockholders' equity	$23,965,255

Notes to Financial Statements

Stockholders' Equity—5,000,000 shares of no par common stock are authorized, 2,194,467 issued (assigned value $1.25 per share); 198,252 in treasury. During the year 12,347 shares of stock were purchased for the treasury, 15,000 shares were issued for the acquisition of The Herman Stone Company and 48,779 shares were issued under the 1967 Employees' Stock Purchase Plan.

PREFERRED STOCK

Table 2-51 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 2-52.

In *Opinion No. 10,* the Accounting Principles Board recommends that a liquidation preference (excess of involuntary liquidation value over par or stated value) be disclosed in the equity section of the balance sheet in the aggregate. Table 2-53 shows that, of 263 companies with preferred stock outstanding, 129 disclosed a liquidation preference.

Examples of preferred stock presentations follow.

TABLE 2-51: PREFERRED STOCK—VALUE SHOWN

Basis of Valuation	1970
Par value stock:	
At par value	174
At assigned value	10
No par stock:	
At assigned value per share	52
At assigned value—per share value not disclosed	46
At liquidating value	13
Issues Outstanding	295
Number of Companies:	
Showing preferred stock outstanding	263
Not showing preferred stock outstanding	337
Total	600

TABLE 2-52: PREFERRED STOCK—STATUS

Number of Issues*	1970
A: Authorized, issued	137
B: Authorized, outstanding	94
C: Authorized, issued, outstanding	61
Outstanding, no disclosure of authorized shares	3
Total	295

*Refer to Company Appendix Section—A: 256, 303, 344, 667; B: 39, 66, 553, 624; C: 81, 127, 703.

Preferred Stock Extended at Par Value

ALAN WOOD STEEL COMPANY

Stockholders' Equity

5% Cumulative Preferred Stock, $100 par value ($105 redemption price): Authorized and issued (including shares in treasury) 1970—42,074 shares	$4,207,400
Common Stock, $5 par value: Authorized 2,000,000 shares Issued (including shares in treasury): 1970—768,830	3,844,150
Additional Paid-in Capital	10,890,822
Retained Earnings, per accompanying statement	27,665,489
	$46,607,861
Deduct:	
Stock in Treasury, at cost	145,778
Preferred: 1970—1,566 shares (purchased 1,547 shares for $93,362 in 1970)	
Common: 3,718 shares	
Total stockholders' equity	$46,462,083

AMERICAN SUGAR COMPANY

Shareholders' Investment

Capital Stock

Preferred Stock, 5.44% cumulative, $12.50 par value, authorized and issued 1,800,000 shares	$22,500,000
Junior Preferred Stock, without par value, 1,000,000 shares authorized, $2.65 Cumulative Convertible Series A, 360,290 shares authorized and issued, at stated value	6,305,000
Common Stock, $12.50 par value, 5,200,000 shares authorized, 3,702,392 issued	46,280,000
Capital contributed	45,000
Income retained for use in the business	78,653,000
	$153,783,000
Less cost of treasury stock	4,635,000
SHARES 6/30/70	
Preferred 90,800	
Common 159,294	
	$149,148,000

CORNING GLASS WORKS

Preferred Stock (Note 6) $981,300

Note 6: Preferred Stock—Changes in redeemable, 3½% preferred stock during the year ended January 3, 1971, were as follows:

	Authorized and Issued	Shares Held in Treasury	Outstanding	Par Value
Balance at beginning of year	58,000	47,658	10,342	$1,034,200
Cancellation to satisfy annual sinking fund-requirments	(2,000)	(2,000)		
Shares acquired during the year		529	(529)	(52,900)
	56,000	46,187	9,813	$981,300

On April 14, 1970, the stockholders authorized 500,000 shares of a new series of preferred of $100 par value. None of these shares were issued in 1970.

DENNISON MANUFACTURING COMPANY

Stockholders' Equity (Note E)

Debenture Stock, $8 cumulative, par value $100 per share: Authorized and issued 29,420 shares—Liquidation value $4,533,440 ($4,707,200 in 1969)	$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	4,923,000
Common Stock, par value $5 per share: Authorized 6,000,000 shares; issued 2,677,229 shares	13,386,000
Capital in excess of par value	8,866,000
Earnings reinvested	37,596,000
	67,713,000
Less Cost of 1,086 shares of Debenture Stock and (in both years) 153,774 shares of Common Stock in treasury	725,000
	$66,988,000

Note E: Capital Stocks and Capital in Excess of Par Value—During the year ended December 31, 1970, the

Company purchased 1,086 shares of Debenture Stock at an aggregate cost of $104,000.

Holders of the Preferred Stock are entitled to a cumulative annual cash dividend of $1 per share. Each share of Preferred Stock is entitled to one-half vote and is convertible at the option of the holder into three-fourths of one share of Common Stock. The Preferred Stock may be called on any dividend date after June 1, 1972 but before June 1, 1973 at $25 per share, and at per-share amounts which decrease at the rate of $.50 per year to June 1, 1977. Thereafter, the Preferred Stock may be redeemed at $22 per share which is also the liquidation value.

During the year ended December 31, 1969, 1,125 shares of Preferred Stock were issued upon exercise of stock options (Note F), and 9,500 shares were converted into 7,125 shares of Common Stock. Capital in excess of par value increased $71,000 during 1969, representing the differences ($59,000) in the par value of the stocks exchanged, and the excess ($12,000) of the stock option proceeds over the par vaue of the shares issued.

At December 31, 1970, 469,353 shares of Common Stock were reserved for issuance upon conversion of the Preferred Stock and exercise of stock options.

HOUDAILLE INDUSTRIES, INC.

Stockholders' Interest:	
Capital stock:	
$2.25 prior cumulative preferred; authorized and outstanding—190,000 shares of $50 par value each	$9,500,000
Convertible voting cumulative preferred; authorized 1970, 447,945 shares of $25 par value each; issued and outstanding: Series A-4½%—1970 21,945 shares	548,625
Common; authorized 20,000,000 shares of $.75 par value each; issued 1970, 8,800,005 shares; 1969, 8,792,688 shares	6,600,003
Paid-in Capital	13,550,876
Retained Earnings	60,358,537
Total	$90,558,041
Less cost of stock in treasury—476,360 shares	2,138,430
Total stockholders' interest	$88,419,611

SAV-A-STOP, INCORPORATED

Stockholders' Equity	
Preferred stock—authorized 2,000,000 shares of 10c par value; issued and outstanding 147,494 shares of $1.35 convertible cumulative preferred stock-Series A; redemption price five years after issue $33.90 per share	$14,749
Common stock — authorized 10,000,000 shares of 10c par value; issued and outstanding 3,673,379 shares in 1970 and 2,329,505 in 1969	367,368
Capital in excess of par value	11,921,251
Retained earnings	14,669,223
Total stockholders' equity	$26,972,591

Preferred Stock Extended at Stated Value

ARMCO STEEL CORPORATION

Shareholders' Equity:	(000)
Preferred stock authorized 5,000,000 shares of no par value, issuable in series; $2.10 cumulative convertible series; shares issued and outstanding, 4,031,346 in 1970, at stated value (involuntary liquidation preference aggregates approximately $60,000)	$17,133
Common stock authorized 60,000,000 shares of $5 par value each; shares outstanding, 29,174,020 in 1970	145,870
Additional paid-in capital	112,239
Income retained in the business	767,139
Total shareholders' equity	$1,042,381

CROWN ZELLERBACH

Stockholders' Equity:	
Cumulative preferred stock— No par value, $100 liquidation and stated value. Authorized 447,426 shares, issuable in series. Initial series $4.20 stock, issued and outstanding 200,529 shares 1970	$20,053,000
Common stock— $5 par value. Authorized 30,000,000 shares, issued and outstanding 23,255,392 shares 1970	116,277,000
Other capital	63,508,000
Income retained in the business	369,889,000
Total Stockholders' Equity	$569,727,000

TABLE 2-53: PREFERRED STOCK—LIQUIDATION VALUE

Number of Companies	1970	1969	1968	1967
Liquidating value exceeds carrying value:				
Aggregate liquidating value disclosed on face of balance sheet	78	74	53	38
Aggregate liquidating value disclosed in notes to financial statements or statement of stockholders equity	36	31	38	16
Per share liquidating value, only, disclosed	15	18	19	15
	129	123	110	69
Liquidating value does not exceed carrying value	30	29	22	16
Liquidating value not disclosed	104	106	111	134
Total companies with outstanding preferred stock	263	258	243	219

GAF CORPORATION

Shareholders' Equity

Preferred stock, $1 par value, authorized 6,000,000 shares; $1.20 convertible series issued—1970, 3,163,071 shares at assigned value of $1.25 per share (liquidation value 1970, $86,984,453)	$3,953,839
Common stock, $1 par value, authorized 25,000,000 shares; issued—1970, 13,598,827.5 shares	13,598,828
Paid-in surplus	50,057,684
Retained earnings	228,439,729
	$296,050,080

LYKES-YOUNGSTOWN CORPORATION

Stockholders' Equity

Preferred stock $1 par value, 15,000,000 shares authorized	
Series A convertible preferred stock, issued 5,514,084 shares at stated value of $19.40 per share (aggregate liquidation preference $328,859,000)	$106,973,000
$4 Series convertible preferred stock, issued 35,582 at stated value of $38.85 per share (aggregate liquidation preference $6,108,000)	1,382,000
Common stock, par value $10 per share	
Authorized 30,000,000 shares, issued 8,961,509	89,615,000
Capital in excess of par value	3,400,000
Retained earnings, per accompanying statement	392,282,000
	$593,652,000
Less—treasury stock (89,609 Series A preferred, chiefly at stated value)	1,973,000
	$591,679,000

RAYTHEON COMPANY

Stockholders' Equity

Serial preferred stock, without par value:	
Authorized 3,000,000 shares Series A, $1.12 cumulative, convertible, stated value $2.50	
Outstanding: 1970— 1,239,183 shares:	$3,097,957
Common stock, par value $2.50:	
Authorized 30,000,000 shares	
Outstanding: 1970—13,766,773 shares (after deducting shares in treasury: 1970—1,000,963 shares)	34,416,933
Capital in excess of par value	44,095,687
Earnings reinvested in the business	183,829,949
Total stockholders' equity	$265,440,526

Preferred Stock Extended at Liquidation Value

BELDEN CORPORATION

Stockholders' Equity:

Preferred Stock—Authorized 500,000 shares, no par value; issued and outstanding: 15,984 shares Series A and 45,000 shares Series B	$2,439,360
Common Stock—Authorized 3,000,000 shares, par value $5.00; issued 1,922,466 shares	9,612,330
Capital in excess of par value	1,347,228
Retained earnings	18,901,452
Treasury stock, common, 13,500 shares, at cost	(443,000)
	$31,857,370

Notes to Consolidated Financial Statements

Note 7: Capital Stock—The Company's preferred stock is issuable in series, has full voting privileges and its terms are fixed by the Board of Directors. The $1.00 cumulative Series A and Series B shares have a liquidating value of $40.00, are callable after five years at $40.00 per share and convertible, at the rate of 1.2 shares of common for each share of preferred, at any time after September 15, 1972, and October 15, 1972, respectively.

In addition to 640,000 shares reserved for conversion of the 8% subordinated convertible debentures at December 31, 1970, 78,181 shares of authorized common stock were reserved for the conversion of issued and contingent preferred shares and 86,432 shares were reserved for stock options.

MEDUSA PORTLAND CEMENT COMPANY

Shareowners' Equity

Preferred shares—Series A—Note D	$5,087,000
Common shares—Note D	21,308,000
Retained earnings	43,437,000
Total common shareowners' equity	$64,745,000
Total shareowners' equity	$69,832,000

Note D: Preferred and Common Shares—At December 31, 1970, 464,212 Series A Preferred shares, $3 cumulative convertible without par value, were authorized of which 84,788 shares stated at the involuntary liquidation price of $60 a share, were outstanding. The Preferred shares, which have voting rights, may be redeemed by the Company at $63 a share commencing in July 1972 and at a declining amount each year to $60 a share in July 1978 and thereafter. Each Preferred share is convertible into two Common shares until July 1972, and 1.8 shares thereafter, subject to customary antidilution adjustments.

At December 31, 1970, 4,000,000 Common shares, without par value, were authorized of which 1,973,219 shares were outstanding after deducting 5,000 shares in treasury. 523,326 Common shares were reserved for conversion of Subordinated Debentures and Preferred shares, contingent issuances under purchase agreements, acquisition of the minority interest in a subsidiary, and stock options.

SCOVILL MANUFACTURING COMPANY

Stockholders' Equity

Capital Stock (Note E)	
3.65% Cumulative Preferred Stock, par value $100 per share: Authorized and outstanding 290 shares	$29,000
Preferred Stock (Cumulative), without par value: Authorized 3,000,000 shares, issuable in series	
$2.50 Convertible Series A: Authorized 1,180,897 shares; issued and outstanding 1,148,585 shares	25,556,000
Common Stock, par value $12.50 per share: Authorized 8,000,000 shares; issued 3,293,793 shares including 98,627 shares in treasury; outstanding 3,195,166 shares	39,940,000
Additional Capital:	
Paid in by stockholders	3,415,000
Earnings retained in the business	76,115,000
	145,055,000

Note : The Preferred Stock (Cumulative) $2.50 Convertible Series A is convertible into Common Stock of Scovill at the rate of 1.22 shares (subject to anti-dilution provisions) of Common Stock for each share of such Preferred Stock. Shares of such Preferred Stock are carried at the aggregate involuntary liquidation value and will be redeemable at the option of Scovill on and after September 15,1972 at the initial rate of $60.00 per share, which rate will decline by $.50 in each year until the redemption price reaches $58.00.

STERLING DRUG INC.

Stockholders' Equity:

Preferred stock	$15,094,000
Common stock	94,297,000
Additional paid in capital	21,028,000
Retained earnings	182,374,000
Treasury stock, at cost	(13,581,000)

Notes to Financial Statements

Stockholders' Equity (in part): The capital stock of the Company at December 31, 1970 was as follows:

	Preferred	Common
Par value	$2.50	$2.50
Authorized	5,000,000	100,000,000
Issued	943,382	37,718,864
In treasury	--	623,692
Outstanding	943,382	37,095,172

Each share of the outstanding preferred stock, representing shares of an initial series of 1,250,000 shares designated $1.50 Convertible Preferred Stock, is convertible at the option of the holder into 1.875 shares of common stock. The series may be called for redemption on or after June 28, 1971 at $55 per share plus accrued dividends. Holders of shares of this series are entitled to $50 per share in the event of voluntary liquidation, and have voting rights of one vote per share. The $1.50 Convertible Preferred Stock is stated in the consolidated balance sheet at its involuntary liquidation value of $16 per share.

Liquidation Preference Disclosed in Balance Sheet

AVCO CORPORATION

Stockholders' Equity	*(Thousands of dollars)*
Preferred stock, without par value:	
Authorized: 6,458,000 voting shares	
Designated: $3.20 cumulative convertible, stated at $6 per share	
Outstanding: 5,217,897 shares in 1970 (liquidation preference: $208,716,000)	$31,307
Common stock, par value $3 per share:	
Authorized: 40,000,000 shares	
Outstanding: 11,470,437 shares in 1970	34,411
Reserved in 1970: 15,957,576 shares	
Additional paid-in capital	73,048
Retained earnings	286,119
Total stockholders' equity	$424,885

BORG-WARNER CORPORATION

Shareholders' Equity:	*(Thousands of dollars)*
Capital stock (page 11):	
Preferred stock, liquidation preference $34.6 million in 1970	$2,162
Common stock	48,692
Capital in excess of par value	53,651
Retained earnings	477,143
	$581,648
Less treasury common stock, at cost	28,504
Total shareholders' equity	$553,144

Financial Review (Page 11)

Capital stock—Shares of capital stock outstanding as of December 31, 1970 and 1969 are as follows:

	Authorized	Issued	In Treasury
Preferred stock, no par value:			
$4.50 cumulative convertible, Series A:	5,000,000		
1970		345,874	-0-
1969		347,723	-0-
Common stock, $2.50 par value:	35,000,000		
1970		19,476,650	1,087,938
1969		19,476,650	958,068*

*Does not include 47,000 shares ($1.4 million) held for distribution under the Contingent Compensation Plan.

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 on this stock at the annual rate of $4.50 per share, payable

quarterly. Shares are convertible, at the holder's option, into 2½ shares of Borg-Warner common stock. Of the preferred shares originally issued, 1,269 were repurchased and 580 converted in 1970.

CELANESE CORPORATION

Stockholder's equity:

	(in millions)
Capital stock—	
Preferred (cumulative, preference in liquidation—$93.1 million)	$90.1
Common	229.4
Retained income	300.8
Total stockholders' equity	$620.3

Notes to Consolidated Financial Statements

Capital Stock—The number of authorized, issued and outstanding shares, par or stated values, and dividends are:

	(in millions) Par or Stated Value at December 31	Dividends
Preferred stock:		
Series A 4½%, $100 par, authorized shares—908,602, issued and outstanding shares—850,902	$85.1	$3.9
Convertible preference $3.00, without par value, authorized, issued and outstanding shares—96,717	2.4	0.2
7% second, $100 par, authorized shares—32,398, issued and outstanding shares—25,638	2.6	0.2
Sub-total	90.1	4.3
Common stock, without par value, authorized shares—25,000,000, issued and outstanding shares at December 31, 1970—13,339,987	229.4	26.6
Total	$319.5	$30.9

The preferred stock, series A, may be redeemed at the option of the Corporation at par value plus accrued dividends. On liquidation or dissolution, the holders of such stock have a preference to the extent of $100 per share plus accrued dividends.

The convertible preference stock may be redeemed at the option of the Corporation at $65 per share plus accrued dividends and is convertible into common stock at the rate of .6953 of one share of common stock and cash of $1.15 for each share of convertible preference stock, subject to adjustment in certain events. On liquidation or dissolution, such stock is entitled, in preference to the 7% second preferred stock and common stock, to $55 per share plus accrued dividends. During 1970, 3,283 shares were converted into 2,278 shares of common stock.

There is no provision for redemption of the 7% second preferred stock; such stock has a preference in liquidation of $100 per share plus accrued dividends.

At December 31, 1970, a total of 1,448,488 shares of unissued common stock was reserved for the following purposes: 67,247 shares for the conversion of convertible preference stock; 821,441 shares for the conversion of 4% convertible subordinated debentures; and 559,800 shares for the Stock Option Award Plan.

PET INCORPORATED

Stockholders' Investment:

$.80 Cumulative Convertible Preference stock, without par value—Authorized, 1,332,740 shares; Outstanding, 1,255,457 shares (involuntary liquidating value of $25,100,000 at March 31, 1970)	$7,825,832
Second Preferred stock, without par value—Authorized, 2,000,000 shares; Outstanding, 944,983 shares, $1.00 Cumulative Convertible (involuntary liquidating value of $21,300,000 at March 31, 1970)	11,877,270
Common stock, without par value—Authorized, 8,000,000 shares; Issued, 5,726,677 shares	40,750,625
Earnings invested in the business	151,975,313
	$212,429,040
Common stock in treasury, at cost—62,623 shares	2,206,311
	$210,222,729

ADDITIONAL CAPITAL

Table 2-54 indicates a continuing trend away from the use of the term *surplus* to describe additional capital. This trend is in accord with a recommendation expressed by the committee on terminology of the American Institute of Certified Public Accountants that use of the term *surplus*, either alone or combined, be discontinued in the balance sheet presentation of stockholders' equity. Captions used to describe additional capital are shown in Table 2-54.

Examples of the terminology for additional capital follow.

Using Word "Capital"

AIR PRODUCTS AND CHEMICALS INC.

Stockholders' Equity

Preferred Stock, par value $1 per share— Authorized 1,500,000 shares. Issued and outstanding— $4.75 Convertible Preferred Stock— (involuntary liquidation value— $24,160,000)— 241,600 shares	$242,000
Common Stock, par value $1 per share—Authorized 10,000,000 shares. Issued 5,473,966 shares less 131,844 shares in Treasury, 5,342,122 shares outstanding at September 30, 1970	5,342,000
Capital in Excess of Par Value	76,232,000
Retained Earnings ($52,700,000 restricted at September 30, 1970)	71,154,000
Total stockholders' equity	$152,970,000

TABLE 2-54: ADDITIONAL CAPITAL—TITLE

Title of Caption	1970	1969	1965	1960
Captions avoiding term "surplus"				
Capital in excess of par or stated value	133	135	128	93
Additional paid-in capital	130	114	86	70
Paid-in capital, or other paid-in capital	25	20	12	11
Additional capital, or other capital	40	39	41	29
Other captions using the term "capital"	25	21	6	26
Captions avoiding use of term "capital"	8	10	16	22
Subtotal	361	339	289	251
Captions including term "surplus":				
Capital surplus	129	138	159	179
Paid-in surplus	28	33	43	47
Other	1	1	1	13
Subtotal	158	172	203	239
Total	519	511	492	490
Number of Companies				
Presenting one additional capital account	511	507	492	490
Presenting two additional capital accounts	4	2	N/C	N/C
Not presenting any additional capital account	85	91	108	110
Total	600	600	600	600

N/C—Not compiled.

AMERICAN AIR FILTER COMPANY, INC.

Stockholders' Equity (Note 4):	
Preferred stock of $25 par value per share. Authorized 1,000,000 shares; none issued	— —
Common stock of $1 par value per share.	
Authorized 3,000,000 shares; issued 1,909,484 shares	$1,909,484
Other capital in excess of par value of shares	5,590,493
Retained earnings	27,664,050
Total stockholders' equity	$35,164,027

Note 4 (in part): Common Stock—Stock Options—Other Capital in Excess of Par Value of Shares—A summary of the changes in capital in excess of par value of shares during the year is as follows:

Balance at beginning of year	$2,623,115
Excess of option price over par value of common stock issued under the stock option plan	82,588
Excess of conversion price of convertible debentures over par value of common stock issued	2,814,832
British and Dutch Investment Grants, less applicable deferred income taxes	69,958
Balance at end of year	$5,590,493

OLIN CORPORATION

Shareholders' Equity:	
Preferred stock, par value $1 per share: Authorized, 10,000,000 shares. Issued, none.	— —
Common stock, par value $5 per share: Authorized, 40,000,000 shares. Issued, 23,691,896 shares	$118,459,000
Additional paid-in capital	131,738,000
Retained earnings	346,261,000
	596,458,000
Less cost of 10,610 (128,982 in 1969) shares held in treasury	203,000
	$596,255,000

ST. JOE MINERALS CORPORATION

Shareholders' Equity (Note 6):		
Preferred Stock, par value $50 per share, 1,000 shares authorized; none issued		
Common, par value $10 per share:		
Authorized	12,500,000	
Issued	9,188,406	$91,884,067
In Treasury	757,211	7,572,117
Outstanding	8,431,195	84,311,950
Other Capital—representing principally excess of amount of stock dividends over par value of Common Stock		10,389,233
Retained Earnings		69,874,527
Total shareholders' equity		$164,575,710

Note 6 (in part): Capital Stock and Stock Options—During 1970 the Corporation purchased 182,600 shares of its Common Stock at a cost of $5,284,105. The excess of the purchase price over the par value, aggregating $3,458,105 was charged to Other Capital.

Under the Corporation's Stock Option incentive Plans adopted in 1958 and 1967, options have been granted to officers and other key employees under 60 years of age to purchase shares of the Common Stock of the Corporation at a price not less than the fair market value on the date the options were granted. The options are exercisable in equal annual instalments and any part of an

option not exercised at the end of five years from the date of the grant becomes void and available for future grants.

A summary of the activity under the plans during 1970 and the status at December 31, 1970 follow:

	Shares
Options outstanding, January 1, 1970	183,909
Options exercised	(25,904)
Options cancelled or expired	(16,000)
Options outstanding at December 31, 1970, at prices of $18.81 and $34.50 per share	142,005
Shares available at December 31, 1970 for future grants	314,000

The excess of the aggregate option price over the par value of shares issued upon exercise of options ($256,935) has been credited to Other Capital.

Not Using Word "Capital"

CARRIER CORPORATION

Stockholders' Equity	
Senior preferred stock, par value $50 per share; 4½% Series—authorized 162,651 shares; outstanding 146,949 shares	$7,347,450
Cumulative preferred stock, without par value; authorized 5,000,000 shares; $2.25 Series, stated at $50 per share; authorized and outstanding 9,000 shares	450,000
$3.00 Series, stated at $50 per share; authorized and outstanding 115,031 shares	5,751,550
Common stock, par value $2.50 per share; authorized 30,000,000 shares; outstanding 15,919,811	39,799,528
	53,348,528
Amounts contributed in excess of par value	30,241,659
Earnings retained	169,408,307
Total stockholders' equity	$252,998,494

FREEPORT SULPHUR COMPANY

Stockholders' Equity	
Common stock, par value $5, authorized 40,000,000 shares, issued 15,526,080 shares December 31, 1970	$77,631,000
Excess of amount paid in over par value of common stock	11,131,000
Retained earnings	144,886,000
	$233,648,000

SHELL OIL COMPANY

Shareholders' Investment	
Common stock, authorized 80,000,000 shares, $1.00 par value, issued 1970—67,539,618 shares at stated value	$234,117,000
Amount in excess of common stock stated value	582,626,000
Retained earnings	1,935,306,000
	$2,752,049,000
Less: 1970—154,680 shares held in treasury, at cost	9,074,000
Total shareholders' investment	$2,742,975,000

Two Captions for Additional Capital

AMERICAN BEEF PACKERS, INC.

Shareholders' Equity (Note 5):	
Series preferred stock, par value $1 per share Authorized—1,000,000 shares Issued and outstanding—none	
Common stock, par value $1 per share Authorized—10,000,000 shares Issued and outstanding—1,389,634 in 1970	$1,389,634
Capital contributed by shareholders in excess of par value of common stock	3,578,999
Capital allocated from proceeds of debt securities issued with warrants	363,683
Retained earnings	2,902,232
	$8,234,548

Notes to Financial Statements

Note 5 (in part): Warrants to purchase up to 125,000 shares of common stock of the Company at $14 per share were issued to the noteholders in connection with the promissory notes, and they may be exercised anytime through May 1, 1980. Up to 50% of the exercise price may be paid by reducing the amount of outstanding indebtedness on the notes. A warrant to purchase up to an additional 10,000 shares at $16 per share was issued to another party for assistance in negotiating the note. The second warrant expires May 1, 1974.

BARTON BRANDS INC.

Shareowners' Equity (Note 4):	
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—1970, 2,569,961 shares	2,569,961
Additional paid-in capital	6,185,628
Contributed capital (Note 4)	1,104,876
Retained earnings	16,862,216
Total	$26,910,181
Less—Common shares held in treasury, at cost—1970, 6,835 shares	73,426
Shareowners' equity—net	$26,836,755

Note 4: Contributed Capital—One of the Company's wholly owned subsidiaries, together with one of its affil-

iates, have received grants in aid as an incentive for the construction of distilling facilities in foreign countries, as follows:

Country	Amount
Canada	$984,788
United Kingdom	120,088
Total	$1,104,876

RETAINED EARNINGS

The committe on terminology of the American Institute of Certified Public Accounts *(Accounting Terminology Bulletin Number 1, Review and Resume)* 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 2-55 indicates a continuing decline in the use of the term *earned surplus* and an increase in the use of the term *retained earnings.* The table reveals the utilization of primary and secondary words to describe retained earnings in the manner recommended by the committee.

The practices of dating retained earnings, discussed in *Accounting Research Bulletin No. 46,* and designating a portion of retained earnings as appropriated for specific purposes, discussed in Chapter 6 of *Accounting Research Bulletin No. 43,* are not widely used by the survey companies. One company shows dated retained earnings and 10 companies show appropriated retained earnings. Examples of these practices are included in the following examples of captions for retained earnings.

TABLE 2-55: RETAINED EARNINGS—TITLE

Caption in Balance Sheet	1970	1969	1965	1960
Retained earnings:				
Used alone	408	394	253	157
With additional words	55	54	113	133
Earnings—with other words	57	70	75	79
Income—with additional words	32	34	46	52
Earned surplus—used alone	32	38	95	162
Other	1	1	3	14
Subtotal	585	591	585	597
Companies with deficits	15	9	15	3
Total	600	600	600	600

Retained Earnings

ANCHOR HOCKING CORPORATION

Preferred stock— $4 cumulative — without par value (stated and redeemable at $107 a share); Authorized 60,500 shares; issued 30,500 shares less 19,993 in treasury (1969—18,729)	$1,124,249
Serial preference stock—$1 par value; Authorized 5,000,000 shares; issued—none	
Common shareholders; equity'	
Common stock—$3.25 par value; Authorized 15,000,000 shares; issued 6,974,384 shares (1969—6,968,954)	22,666,748
Capital in excess of par value	4,338,869
Retained earnings	110,140,290
Common shareholders' equity	$137,145,907

INGERSOLL-RAND COMPANY

Shareowner's Equity:	
Preferred Stock	
Authorized and issued—25,255 shares, 6% cumulative $100 par value	$2,525,000
Preference Stock	
Authorized—10,000,000 shares, without par value, issued—$2.35 Convertible Series, 3,271,265 shares in 1970 and 3,271,365 shares in 1969	5,561,000
Common Stock	
Authorized—30,000,000 shares, $2 par value, issued—15,022,744 shares in 1970 and 15,022,684 shares in 1969	30,046,000
Capital in excess of par value	25,591,000
Earnings retained for use in the business	382,337,000
Total shareowners' equity	$446,060,000

MC DONNELL DOUGLAS CORPORATION

Shareholders' Equity	
Common Stock, par value, $1.25 a share:	
Shares authorized: 40,000,000	
Shares issued: 27,853,660	$34,817,075
Capital in excess of par value	210,739,801
Earnings retained for growth	417,166,045
	$662,722,921
Less cost of treasury shares:	
1970—604,710; 1969—285,970	14,063,042
Total shareholders' equity	$648,659,879

MIDWEST RUBBER RECLAIMING COMPANY

Stockholders' Equity:	
Common stock, $2.50 par value, authorized 750,000 shares—issued 439,233 shares	$1,098,083
Contributed capital (no change during year)	2,138,798
Earnings retained in the business (at October 31, 1970, $340,383 was available for cash dividends on common stock under terms of the 4⅞% long-term loan agreement)	5,003,463
Common stock held in treasury, at cost—2,100 shares in 1970 (purchased 350 shares for $3,063 during 1970)	(17,063)
Stockholders' equity	$8,223,281

REX CHAINBELT INC.

Shareholders' Ownership

	Shares	
Preferred Stock-		
No par value—authorized, 650,000 shares issued— at stated value (involuntary liquidation value $27,492,000 at October 31, 1970)		
$2.50 Convertible Series A	175,143	$2,751,000
$2.36 Convertible Series B	416,341	8,770,000
$1 par value— authorized 2,550,000 shares— issued (involuntary liquidation value $8,112,000) $2.50 Convertible Series C	162,245	162,000
Common stock— authorized, 12,000,000 shares— $10 par value		
Issued	3,808,551	38,086,000
Less—in treasury, at cost	4,797	(132,000)
Capital in excess of par value		8,282,000
Retained earnings invested in the business		71,299,000
		$129,218,000

UNITED STATES SMELTING REFINING AND MINING COMPANY

Stockholders' Equity	
Preferred Stock, par value $5 per share, 500,000 shares authorized, issuable in series: $5.50 Cumulative Preferred Stock, $17,875,900 liquidating value ($100 per share), 178,759 shares issued	$ 893,795
Common Stock, par value $1 per share, 10,000,000 shares authorized; 2,425,765 shares issued	2,425,765
Additional paid-in capital	70,955,927
Retained earnings:	
Appropriated (Note 2)	2,879,277
Unappropriated	27,759,870
	104,914,634
Less, Treasury stock, at cost (Common Stock: 1970, 94,300 shares; 1969, 32,500 shares; Preferred Stock: 1,200 shares in 1970 and 1969)	2,967,200
Total stockholders' equity	$101,947,434

Note 2 (in part): 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.

Earnings—Other Captions

GENERAL AMERICAN TRANSPORTATION CORPORATION

Shareholders' Equity	
Preferred Stock, par value $1.00 per share, $2.50 Cumulative Convertible (liquidating value at December 31, 1970 of outstanding shares at $60 per share—$47,239,080)	$801,819
Common Stock, par value $.625 per share	7,270,623
Additional capital	108,229,582
Reinvested earnings	191,821,894
	$308,123,918
Less cost of shares in treasury	2,964,796
	$305,159,122

NEPTUNE METER COMPANY

Stockholders' Equity	Shares	
Common stock, par value $5 a share		
Authorized	6,000,000	
Issued	2,518,635	
In treasury	35,048	
	2,483,587	
		$12,417,935
Paid-in capital		13,744
Accumulated earnings		23,533,472
Total stockholders' equity		$35,965,151

OUTBOARD MARINE CORPORATION

Stockholders' Investment	
Preferred stock—Authorized 3,000,000 shares of $10.00 par value, none issued	
Common stock—Authorized 13,500,000 shares of $.30 par value, Issued 8,080,462 shares in both years	$2,424,000
Capital in excess of par value of common stock, per accompanying statement	31,482,000
Accumulated earnings employed in the business	106,556,000
	$140,462,000

PHILLIPS PETROLEUM COMPANY

Stockholders' Equity:	
Common stock, $2.50 par value:	
Shares authorized— 100,000,000	
Shares issued— 76,126,545	$190,317,000
Capital in excess of par value of common stock	433,312,000
Earnings employed in the business	1,114,753,000
	$1,738,382,000
Less treasury stock, at cost— 2,064,552 shares	56,095,000
Total stockholders' equity	$1,682,287,000

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	94,282,000
Accumulated earnings appropriated for guarantees under employment assurance contracts	2,000,000
	115,482,000
Less—Capital stock in treasury, at cost (31,516 shares)	1,502,000
Total capital and accumulated earnings	$113,980,000

Income Retained, Etc.

BETHLEHEM STEEL CORPORATION

Stockholders' Equity

(In thousands)	
Preferred Stock—$1 par value—	
Authorized 20,000,000 shares	— — —
Common Stock—$8 par value—	
Authorized 80,000,000 shares; issued 45,987,118 shares	$573,853
Income invested in the business	1,450,422
	$2,024,275
Less—1,974,943 and 1,964,894 shares of Common Stock held in treasury, at cost	60,788
Total Stockholders' Equity	$1,963,487

THE B. F. GOODRICH COMPANY

Shareholders' Equity

Series Preferred Stock—$1 par value:	
Authorized 10,000,000 shares; none issued	
Common Stock—$5 par value:	
Authorized 50,000,000 shares	
Issued 14,558,266 shares	$72,791,000
Capital in excess of par value of shares	73,373,000
Income retained in the business	441,119,000
	$587,283,000
Less shares held in treasury (49,707 shares in 1970; and 308 shares in 1969), at cost	1,121,000
Total Shareholders' Equity	$586,162,000

Deficit

GENERAL HOST CORPORATION

Shareholders' Equity

Common stock $1.00 par value, authorized 30,000,000 shares, issued 2,644,072 shares	$2,644,000
Capital in excess of par value	86,892,000
Deficit	(56,013,000)
	$33,523,000
Less—cost of 71,756 and 33,736 shares of common stock in treasury	1,278,000
Total Shareholders' Equity	$32,245,000

GENERAL PLYWOOD CORPORATION

Stockholders' Equity:

5% Cumulative Convertible Preferred Stock, par value $20 per share, authorized 50,000 shares, none issued	
Common Stock, par value 50c per share, authorized 2,000,000 shares, outstanding 1,313,521 shares, 1970; 1,307,721 shares, 1969	$656,761
Capital surplus	2.645,347
Retained earnings (deficit), since October 31, 1965	(510,489)
	$2,791,619

LOFT CANDY CORPORATION

Capital Deficiency

Capital stock—par value $1 a share, authorized 2,500,000 shares, issued 1,487,259 shares in 1970 and 1,486,959 shares in 1969 (less 73,259 shares in treasury)	$1,414,000
Additional paid-in capital	318,895
Retained earnings or (deficit)	(3,263,342)
Total stockholders' equity or capital (deficiency)	$(1,530,447)

METRO-GOLDWYN-MAYER INC.

Stockholders' Equity

Common stock, no par value—	
Authorized—9,000,000 shares Issued—5,969,798 in 1970 and 5,874,441 shares in 1969	$85,829,000
Retained earnings (deficit)	(10,122,000)
	$75,707,000
Less—Treasury stock, at cost—87,473 shares	
	$73,826,000

PHOENIX STEEL CORPORATION

Shareholders' Equity

Common stock	
Authorized 8,000,000 shares, $4 par value	
Issued and outstanding: 4,171,611 shares (including 100,000 shares issued on March 5, 1971 in 1970 and 4,070,722 in 1969	$16,686,444
Capital in excess of par value	16,734,440
Accumulated deficit	(20,659,273)
	$12,761,611

RESTRICTIONS ON RETAINED EARNINGS

Limitations on cash dividend payments, additional borrowings, company purchases of its capital stock, capital expenditures, sales of assets were reported by 425 companies. Such restrictions were based usually on a specified amount of retained earnings or a specified amount or percent of working capital. Examples of restrictions are shown below and in connection with Table 2-40.

TABLE 2-56: RESTRICTIONS ON RETAINED EARNINGS

	1970	1969	1968	1967
Source of Restrictions				
Bond or Note Indentures, Credit Agreements	413	420	418	405
Preferred Stock or Certificate of Incorporation	12	11	13	6
Total	425	431	431	411
Nature of Restrictions				
Limitation on retained earnings only	194	198	197	183
Limitation on retained earnings and working capital	105	96	139	122
Limitation on retained earnings, working capital and other restrictions	77	73	41	45
Limitation on retained earnings and other restrictions	29	35	39	26
Other restrictions	20	29	15	35
Total	425	431	431	411
Number of Companies				
Referring to restrictions	425	431	431	411
Not referring to restrictions	175	169	169	189
Total	600	600	600	600

Restrictions Imposed by Indebtedness

ADMIRAL CORPORATION

Notes to Consolidated Financial Statements

Note 6 (in part): Long-term Notes Payable, Maintenance of Working Capital and Restrictions of Retained Earnings— As of November 27, 1970, certain sections of the Company's 5.40% and 6% Promissory Note Agreements were amended as follows:

(1) Fixed annual prepayments under each of the Note Agreements were increased by 25% of the respective amounts payable after January 1, 1971, thereby increasing required prepayments $611,250 per year.

(2) Effective January 1, 1971, the interest rate on the 5.40% Promissory Notes was increased to 6.75% and, on the 6% Promissory Notes, to 7.50%.

(3) In the event the Company shall sell any of its properties for a consideration of $2,000,000 or more in each instance, 50% of the net cash proceeds (after applicable income taxes and other related expenses) is to be applied pro-rata to the payment or prepayment of short-term notes payable to banks and the 6.75% and 7.50% Promissory Notes. Such payments made to long-term noteholders will be first applied to the latest maturities of such notes and will not affect the required fixed annual prepayments.

(4) The requirement that the Company's unsecured, short-term borrowings be reduced to a certain level, as defined in the underlying Promissory Note Agreements, for 30 consecutive days during each fiscal year was waived for the years 1970 and 1971.

(5) The consolidated working capital requirement ($50,000,000), as defined in the underlying Promissory Note Agreements, was temporarily reduced. (See below for subsequent waivers.)

Subsequent to December 27, 1970, the Company secured waivers from their 6.75% and 7.50% long-term noteholders reducing the consolidated working capital requirements, as defined in the underlying Promissory Note Agreements, to $42,500,000, effective as of December 27, 1970, with provisions for the following increases subsequent to that date, which will become effective when the applicable transaction is completed or as of the date specified for each increase, whichever first occurs:

(1) $2,000,000 upon the collection of certain non-current receivables and $2,000,000 when the sale of certain property and plant is consumated (date specified, December 26, 1971).

(2) $3,500,000 when the sale of certain of the Company's machinery and equipment is completed (date specified, June 27, 1971).

As at December 27, 1970, the Company's consolidated working capital, as defined by the 6.75% and 7.50% Promissory Note Agreements, and modified by the aforementioned waiver was approximately $44,150,000, or $1,650,000 more than the amount required at that date. Historically, the Company has reported its working capital calculations to noteholders on a quarterly basis and intends to make its next calculation for this purpose as at March 28, 1971. Based on unaudited net sales through the month of February, 1971 and unaudited operating results for certain divisions for the months of January and/or February, 1971, management believes that the working capital requirement will be met as at the end of the first quarter of 1971. Should such requirement not be met, it is management's intention to request a waiver thereof.

The 6% Subordinated Convertible Notes are subordinate to all borrowings of the Company and are convertible into Common Stock at any time prior to maturity at $22.50 per share (subject to adjustment in certain events). The Company is required to make annual sinking fund payments from 1978 through 1986 equal to 10% of the unpaid notes as of October 1, 1977, which is subject to adjustment for notes converted after that date. At December 27, 1970, the Company had reserved 444,444 shares of Common Stock for conversion.

Under the Company's loan agreements, there are restrictions, among others, on creation of funded debt and mortgage indebtedness, payment of cash dividends, stock redemptions and other distributions to stockholders. At December 27, 1970, under the most restrictive loan agreement, payment of cash dividends could not be made.

FEDDERS CORPORATION

Notes to Consolidated Financial Statements

Note 3 (in part): Long-term Debt and Surplus Restriction— The most restrictive agreement covering the Company's long-term debt provides, among other things, that the Company may not (1) declare or pay any dividends on its capital stock (other than dividends in capital stock of the Company), (2) expend for acquisition of its capital stock more than the net proceeds from sale of capital stock or (3) make any restricted payment, as defined, on the subordinated indebtedness unless, immediately after giving effect to such transaction, its net current assets will not be less than $60,000,000, and the sum of such transactions from August 31, 1968 will not exceed $4,000,000 plus 75% of net income of the Company, as defined, from August 31, 1968. Under this restriction, $24,731,000 of earned surplus was not available for cash dividends at August 31, 1970.

THE GRAND UNION COMPANY

Notes to Financial Statements

Note 5: Restrictions on Dividends— The note agreements and the 4⅛% debenture indenture contain provisions as to the maintenance of working capital and payment of cash dividends. The most restrictive of these provides that consolidated working capital may not be less than $14,500,000, and that payments for net acquisitions of the company's stocks and for cash dividends will be limited in the aggregate to 75% of the consolidated net earnings after March 2, 1957. At Febraury 28, 1970, 75% of such consolidated net earnings exceeded such payments by approximately $42,000,000 and, accordingly, none of the balance of retained earnings is so restricted.

LA MAUR INC.

Notes to Consolidated Financial Statements

Note F: Long-term debt— The Company is indebted to a bank on an unsecured promissory note having an unpaid balance of $2,802,500, payable in equal monthly installments of $47,500 together with interest on the unpaid balance at a variable rate equal to the bank's prime rate times 1.17647 rounded to the nearest one-fourth of one percent. The loan agreement covering this note provides, among other things, that the Company will maintain a minimum consolidated working capital of $3,000,000 and a minimum consolidated stockholders' equity of $8,500,000 computed as of June 30 and December 31 of each year. At December 31, 1970, consolidated working capital was $4,808,383, and consolidated stockholders' equity was $9,549,269.

MC CORMICK & COMPANY, INCORPORATED

Notes to Financial Statements

Note 3: Restriction on Payment of Cash Dividends— The agreement relating to the 5¾% notes contains restrictions on the payment of cash dividends. These restrictions provide that such dividends may be paid only from retained earnings since November 30, 1965, as defined, and require the maintenance of a minimum amount of working capital. The amount of retained earnings at November 30, 1970 which would have been available for dividends was $7,200,000; however, because of the working capital requirement only $400,000 was free of restrictions. Corresponding amounts as of November 30, 1969, were $8,900,000 and $2,700,000, respectively. Effective March 1, 1971, the principal holders of the notes have agreed to reduce the minimum working capital requirement by $2,000,000 for the period ending July 31, 1971, thereby increasing the amount of earnings available for dividends during such period under the working capital restriction by a corresponding amount.

R. H. MACY & CO., INC.

Investment of Shareholders:

Cumulative preferred shares, 500,000 authorized; par value $100 per share—	
4¼% Series A—165,600 shares issued; 5,990 in treasury; 159,610 outstanding, callable at $107.50 per share	$15,961,000
4% Series B—100,000 shares issued and outstanding	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; 9,542,279 and 9,342,777 issued; 15,756 in treasury; leaving 9,526,523 and 9,327,021 outstanding	35,724,461
Additional paid-in capital, per statement on page 23	32,207,350
Earnings reinvested in the business, per statement on page 19; at August 1, 1970, $105,100,000 is not distributable to common shareholders under terms of long-term debt agreements	140,740,186
Total investment of shareholders	$234,632,997

SPENCER SHOE CORPORATION

Notes to the Consolidated Financial Statements

Note 3 (in part): Long-term Debt—6% Notes due May 28, 1978, payments due within one year $153,846.16	*$1,076,923.04

*One of the provisions of the Company's Long-Term Loan Agreement precludes the payment of any distribution to stockholders until the Company's consolidated net worth has reached $4,750,000.00 with the exception of cash paid in lieu of fractional shares in connection with stock dividends. Distributions may be made after the required consolidated net worth is reached, including cash paid in lieu of fractional shares in connection with stock dividends, not to exceed 50% of consolidated net income earned in the period subsequent to the fiscal quarter in which such consolidated net worth was attained. At May 30, 1970 such unrestricted earnings amounted to $1,582,527.83.

TRIANGLE PACIFIC FOREST PRODUCTS CORP.

Notes to Financial Statements

Note 4 (in part): Long-Term Debt—On September 15, 1970, the company sold a $10,000,000 9¾% Promissory Note and on December 11, 1970 sold a $8,000,000 9¾% Promissory Note to the Prudential Insurance Co. of America. Both of these notes are due January 1, 1985 and are payable $1,000,000 per annum, in total, from January 1, 1973 to 1975, and $1,500,000 thereafter. The proceeds of the $10,000,000 note were used to refund the company's $10,000,000 note sold to the Prudential Insurance Company on April 1, 1969. The proceeds of the $8,000,000 note were used to refund a $3,500,000 note payable to the Security National Bank, as well as to reduce short-term borrowings. On September 27, 1969, the company borrowed $5,000,000 from the Security National Bank, due October 1, 1973, payable $187,500 quarterly beginning January 1, 1970 through October 1, 1971, $375,000 quarterly from January 1, 1972 thru October 1, 1972 and $500,000 quarterly from January 1, 1973. Interest is 1% above the prime rate. As of December 31, 1970, the company owed $4,250,000 on this note. These term notes provide for minimum working capital and net worth requirements as well as restrictions as to the declaration of dividends (other than stock dividends), liens on fixed assets, other current and funded debt, and investments in and advances to outside companies and all subsidiaries whose primary business is owning or developing real estate. As of December 31, 1970, there was available approximately $300,000 of unrestricted retained earnings for the payment of cash dividends.

Restrictions Imposed by Preferred Stock or Certificate of Incorporation

BLUE BELL, INC.

Notes to Financial Statements

Note 6: Dividend Restrictions—Agreements relating to the long-term 5% and 5½% notes payable and the 4¾% cumulative convertible preferred stock provide, among other things, limitations on the Company and certain subsidiaries relating to incurrence of funded indebtedness and payment of dividends. Under the most restrictive of these limitations at September 30, 1970, approximately $13,570,000 of consolidated retained earnings was not restricted for payment of cash dividends.

COLGATE-PALMOLIVE COMPANY

Notes to the Financial Statements

Note 6: Dividend Restrictions—The preferred stock provisions of the Certificate of Incorporation contain restrictions on the payment of cash dividends to common shareholders. At December 31, 1970, domestic retained earnings were free of such restrictions to the extent of $120,383,000.

GETTY OIL COMPANY

Notes to Financial Statements

Note 6: Capital Stock—Under the sinking fund provisions of the preferred stock issue, the company is required to redeem 40,917 shares of its $25 par value stock on each January 10 and July 10. The sinking fund provisions may be satisfied from treasury stock previously purchased on the open market and, accordingly, 81,834 treasury shares were retired during 1970.

The preferred stock issue contains provisions which restrict the payment of cash dividends on common stock and the purchase or redemption of such stock. On December 31, 1970, approximately $185,000,000 of consolidated retained earnings were restricted under these provisions.

KAISER ALUMINUM & CHEMICAL CORPORATION

Notes to Financial Statements

Note 5 (in part): Notes Payable and Long-term Obligations—The First Mortgage Bond Indenture, as supplemented, restricts borrowings, acquisition of the Corporation's stock, investments, and payment of cash dividends. At December 31, 1970 and 1969, consolidated retained earnings of $50,000,000 and $97,000,000 were not restricted as to the payment of cash dividends on preferred, preference, and common stocks under the most restrictive provisions of the indenture. Substantially all of the Corporation's domestic plant properties now owned or to be acquired are subject to the first mortgage bond lien and the capital stock of Kaiser Bauxite Company (wholly-owned subsidiary) is pledged as collateral for the bonds.

Note 6 (in part): Capital Stock—The preferred and preference stock provisions restrict acquisition of junior stock, incurring of funded debt, entering into leases, and payment of dividends. At December 31, 1970 and 1969, the preferred and preference stock provisions were less restrictive as to the payment of cash dividends on capital stocks than the provisions of the bond indenture, as supplemented.

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. *Bulletin 43* states in part:

1. 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

TABLE 2-57: EMPLOYES STOCK OPTION PLANS

Relation of Option Price to Market Value at Date of Grant of Option	1970	1969	1965	1960
Not less than market value	151	160	221	76
Exactly market value	209	194		
Not less than 95% of market value	29	32	55	159
Exactly 95% of market value	22	34	27	59
Market value not shown or referred to	160	145	230	125
Other	57	42	94	34
Total plans	628	607	627	453
Number of Companies				
Referring to stock option plans	538	528	484	438
Not referring to stock option plans	62	72	116	162
Total	600	600	600	600
Number of companies with stock purchase plans	77	79	62	59

be substantial and omission of such costs from the corporation's accounting may result in overstatement of net income to a significant degree.

15. 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.

Options Exercised During Year

AMERICAN METAL CLIMAX, INC.
Notes to Financial Statements

Note 11: Stock Option Plans—At December 31, 1970 options were outstanding to purchase 344,369 shares of the Company's common stock under a Qualified Stock Option Plan adopted by the shareholders in 1964. Such options may be granted during the 10-year period to May 1974, at a price not less than 100% of the market value on the granting date, exercisable within five years from that date.

Changes in stock options during 1970 were as follows:

	Price Range Per Share	Shares: Unexercised	Shares: Available for Future Grants
Balance at January 1	$21.96-$30.21	231,402	289,850
Options granted	32.19- 33.25	125,550	(125,550)
Options terminated	-- 28.71	(3,200)	3,200
Options exercised	21.96- 28.71	(9,383)	--
Balance at December 31	22.04- 33.25	344,369	167,500

The options are all exercisable and expire at various dates to 1975 but no option granted may be exercised by any optionee while he holds any unexercised stock option previously granted at a higher price.

ARMCO STEEL CORPORATION
Financial Summary
Note 6: Stock Options—

Description of Stock	Number of Shares	Option Price Per Share	Option Price Total	Fair Value at Date of Grant or When Exercisable or Exercised Per Share	Fair Value at Date of Grant or When Exercisable or Exercised Total
$2.10 Cumulative Convertible Preferred StockOptions outstanding December 31,					
1970	106,575	$5.50-47.75	$3,292,000	$5.50-47.75	$3,292,000
1969	143,611	4.00-47.75	4,210,000	4.00-47.75	4,210,000
Options which became exercisable during					
1970	34,935	5.50-47.75	965,000	24.38-29.38	949,000
1969	59,777	4.00-47.75	1,360,000	22.00-44.x5	1,854,000
Options exercised during					
1970	11,948	5.63-22.72	129,000	25.75-28.00	320,000
1969	40,494	4.00-36.13	302,000	22.25-44.25	1,161,000
Common Stock— 1952 Stock Option Plan					
Options outstanding December 31,					
1970	278,200	37.19	10,346,000	37.19	10,346,000
1969	320,300	37.19	11,912,000	37.19	11,912,000
Common Stock— 1969 Stock Option Plan					
Options outstanding December 31,					
	500,030	20.25-30.47	13,905,000	20.25-30.47	13,905,000
	347,000	27.81-30.47	10,557,000	27.81-30.47	10.557,000
Options which became exercisable during					
1970	86,750	27.81-30.47	2,639,000	20.50-24.88	2,152,000

The options to purchase $2.10 Cumulative Convertible Preferred Stock were granted in years 1965 through 1969 by HITCO, acquired by Armco in 1969, and will become exercisable in varying amounts through August 4, 1973.

The 1952 Stock Option Plan terminated in 1962, but

options granted thereunder are exercisable, subject to earlier termination under certain conditions, until December 8, 1971. No options were exercised during 1970 and 1969.

The 1969 Stock Option Plan was adopted by the shareholders on April 17, 1969. This plan provides generally for the granting of both qualified and non-qualified options to purchase common stock, not to exceed 1,000,000 shares in the aggregate, at a purchase price of not less than the fair market value at the time of the grant. Optionees may exercise 25% (cumulatively, of their options after each of the next four anniversaries of the date of the grant, except that generally no options may be exercised by an individual under this plan until all options he has under the 1952 Plan have been exercised in full or have expired by reason of lapse of time. Options for 153,030 shares were granted during 1970; no options were exercised during 1970 and 1969. Subject to earlier termination under certain conditions, qualified options granted under this plan expire five years after the date of the grant and non-qualified options expire ten years after the date of the grant.

No amounts are recorded in the accounts until options are exercised. Proceeds in excess of the par or stated value of the capital stock issued are credited to the additional paid-in capital account; no amounts relating to stock options are reflected in the income accounts.

The proceeds from sale of common stock for options exercised during the year were credited to the common stock account at par ($14,730) and the excess ($775,288) over par was credited to additional paid-in capital. The difference between option price and market value on dates of exercise approximated $410,167 for shares issued during the year. At March 28, 1970 there were 251,055 shares available for options which may be granted through July 25, 1972.

GENERAL FOODS CORPORATION

Notes to Financial Statements

Note 9: Stock Option Plans—In 1967, the stockholders approved a new stock option plan under which options may be granted to key employees who have not attained age 60, to purchase General Foods common stock at a price which is not less than the full market value on the dates of grant for periods not exceeding ten years. Options granted under previous stock option plans, as well as options which may be granted under the 1967 Plan, are exercisable in approximately equal annual installments over the option period, except that an option may not be exercised during the first twelve months. A report on stock options for fiscal 1970 follows:

	Number of Shares	Option Price Per Share	Option Price Aggregate
Options Outstanding March 30, 1969	362,910	$49-92	$27,491,230
Options granted	124,650	$73	9,060,809
	487,560		$36,552,039
Deduct:			
Options exercised	14,730	$49-74	790,018
Options cancelled	36,490	$49-92	2,771,268
	51,220		3,561,286
Options outstanding March 28, 1970 (exercisable 200,190 shares)	436,340	$58-$92	32,990,753

GIANT FOOD INC.

Notes to Financial Statements

Note (B): Options—

	Restricted Options (1)	Qualified Options (2)	Qualified Options (Other)
Date Approved	Sept. 1959	Oct. 1964	Sept. 1965
Date of Termination	Oct. 1969	Sept. 1969	(3)
Shares Authorized	250,000	50,000	200,000
Outstanding 4-25-70	Terminated	Terminated	127,585 (4)
Price per share	$7.60-$8.67	$7.06 (2)	$8.44-$20.00
Exercised this year	26,410	28,000	36,399
Exercise Price	$7.60-$8.67	$7.06	$8.44-$20.00
Exercised to date	154,932	50,000	65,263
Currently Exercisable	Terminated	Terminated	63,280

The option plans were designed to comply with the applicable provisions of the Internal Revenue Code. Generally, the options are exercisable on an equal annual cumulative basis starting one year after the date granted.

(1) The additional available options were cancelled.

(2) The market price on January 27,1965, which was higher than market price on October 1, 1964. These 50,000 options were granted to Mr. Joseph B. Danzansky, President.

(3) Options must be exercised within five years after the date granted or prior to the plan termination date (October 1, 1974) whichever is earlier.

(4) Of the options outstanding, 30,000 shares were granted to Mr. Danzansky on August 5, 1968 at the exercise price of $19.34.

GRANGER ASSOCIATES

Notes to Financial Statements

Note 5: Capital Stock—At August 31, 1970, there were 48,563 shares of authorized but unissued capital stock reserved for sale to officers and employees under the Company's Qualified Stock Option Plan, and under options granted by Dorne & Margolin, Inc., and assumed by the Company in the merger. The Qualified Stock Option Plan provides that the option price is equal to the fair market value on the date granted. Options are exercisable to the extent of 25% after eighteen months and 25% after the 2nd, 3rd and 4th anniversaries, cumulatively. Terms of the Dorne & Margolin, Inc., options are substantially similar to those of the Qualified Stock Option Plan. All options expire after five years from the date granted.

Details of options at August 31, 1970, and for the year then ended are as follows:

		Option Price	
	Shares	Per Share	Total
Outstanding options, August 31, 1970			
Total	35,585	$2.08 to $24.94	$256,456
Exercisable	9,791	2.08 to 24.94	112,648
Options exercised during the year ended August 31, 1970	3,675	1.67 to 2.92	7,843

The Company makes no charge to income in connection with the sale of stock under option.

At August 31, 1970, there were 35,823 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 $14,647 and $34,028 for the years ended August 31, 1970 and 1969, respectively.

At August 31, 1970, an additional 4,500 shares were reserved for sale to the holder of warrants which were issued by Dorne & Margolin, Inc., and assumed by the Company in the merger. The warrants are exercisable until March 13, 1971, at $15.20 per share, and until March 13, 1972, at $16.18 per share.

HYGRADE FOOD PRODUCTS CORPORATION

Notes to Financial Statements

Note 8: Stock Options—The Stockholders approved a new Qualified Stock Option Plan (1970) for key employees of the Company and its subsidiaries. A total of 40,000 shares of Common Stock are reserved for granting of options under this plan. The options are granted for a term of five years at an option price equal to 100% of the fair market value on the date of the grant. Each option is exercisable at any time during the term of the option after the end of 24, 36, 48, and 54 months, respectively, of the term, up to 25% for each period, of the total number of shares subject to option. At October 31, 1970 there were 17,500 shares available for future grant under the 1970 Plan.

Under the terms of the Company's restricted stock option plan (1960), common stock options have been granted to officers and employees at prices of 100% or 95% of market value on the date of grant. These options are exercisable at the rate of 25% each year beginning with the end of the second year from date of grant and terminate at the end of ten years. No further options may be granted under the 1960 Plan.

Under both Plans, as options are exercised, proceeds in excess of par value of the shares issued are credited to capital surplus. Transactions for the current year under the Plans are summarized as follows:

	Options Outstanding		Options Exercisable	
	Number of Shares	Average Per Share	Number of Shares	Average Per Share
Balance at November 1, 1969	15,938	$38.41	3,438	$18.58
Options granted	50,800	27.56	—	—
Options exercised	(1,750)	18.58	(1,750)	18.58
Options terminated	(6,000)	39.83	—	—
Balance at October 31, 1970	58,988	29.51	1,688	18.58

MARCOR INC.

Notes to Financial Statement

Note 7: Stock Option Plan—Under the Company's stock option plan, options to purchase stock of the Company may be granted (prior to March 25, 1979) to officers and other key employees of the Company at prices not less than market value at the dates of grant and are exercisable at such time or times and subject to such conditions as the Stock Option Plan Committee may determine. As of January 31, 1971 there were 250,746 shares of preferred stock and 1,521,924 shares of common stock reserved for this purpose and for options of Montgomery Ward and Container Corporation converted into Marcor options in connection with the merger.

The following summarizes the stock option activity for the year ended January 31, 1971:

	Common Stock*	Preferred Stock
Options outstanding at beginning of year	1,420,020	379,382
Options granted during year	54,900	--
Options exercised during year	(229,466)	(125,536)
Options cancelled and expired during year	(280,280)	(3,100)
Options outstanding at end of year	965,174	250,746
Average option price of outstanding options	$17.17	$33.76
Average option price of options exercised during year	$17.66	$33.07
Options exercisable at January 31, 1971	395,883	164,843

*Adjusted for two-for-one stock split

McCORMICK & COMPANY, INCORPORATED

Notes to Financial Statements

Note 7: Stock Options—Under qualified and non-qualified stock option plans and the 1969 employees stock purchase plan, options to purchase shares of the Company's common stocks have been or may be granted to employees of the Company and its domestic subsidiaries.

Options outstanding and exercisable at November 30, 1970 and options exercised during the year then ended are as follows:

		Shares		
		1969	1970	
	Option Price Per Share	Out-standing, Nov. 30,	Exer-cised	Out-standing Nov. 30,
Common Stock	$8.44	7,040	7,040	
	18.13	14,900	1,000	13,900
	27.50	3,650	200	3,450
	26.88	1,060		1,060
	37.25			11,200
	43.75	8,650		8,650
TOTAL		35,300	8,240	38,260
Common Stock Non-Voting	$8.44	960	960	
	36.88	1,528		1,528
	27.25			14,700
	43.50	1,018		1,018
	43.75	14,250		14,250
	*	31,948	3,794	20,854
TOTAL		49,704	4,754	52,350

*At lesser of $43.50 or market price at dates options are exercised under 1969 employees stock purchase plan.

During 1970 options were granted to purchase 11,200 shares of Common Stock and 14,700 shares of Common Stock Non-Voting at $37.25 per share, and options to purchase 7,300 shares of Common Stock Non-Voting under the 1969 employees stock purchase plan were cancelled.

In addition to the shares under option at November 30, 1970, 6,700 shares of Common Stock and 8,300 shares of Common Stock Non-Voting were reserved for future grants.

NORTH AMERICAN ROCKWELL CORPORATION

Notes to Financial Statements

Note 9: Employee Stock Option Plans—Options to purchase common stock of the Company have been granted under certain plans to officers and other key employees at prices equal to the fair market value of such stock on the dates the options were granted, except that prior to 1964 options granted were at prices not less than 95% of such fair market value. Certain information relative to common stock options is summarized below:

	Number of Shares	Aggregate Option Price	Corresponding Market Price
Stock options, October 1, 1969:			
Outstanding	514,475	$18,373,000	$18,427,000(a)
Available for future grant	624,610		
Changes in stock options during 1970:			
Granted	492,500	9,605,000	9,605,000(a)
Became exercisable	278,970	10,514,000	6,222,000(b)
Exercised	309	8.000	8.000(c)
Cancelled	265,690	9,827,000	
Expired	129,109	4,200,000	
Stock options, Sept 30, 1970:			
Outstanding	611,867	13,943,000	13,974,000(a)
Exercisable	130,347	4,488,000	
Available for future grant	495,090		

(a) As of dates granted
(b) As of dates became exercisable
(c) As of dates exercised

Common stock options outstanding at September 30, 1970 have option prices ranging from $16.25 to $43.375 a share and expire at various dates from December 9, 1970 to August 7, 1975. No common stock options may be granted after November 30, 1976 under the existing plans.

In connection with the acquisition of two companies in prior years the Company substituted options to purchase Series A or B preferred stock for outstanding options of the acquired companies. At September 30, 1970 options were outstanding for 84 shares of Series A preferred stock at an option price of $35.24 a share and for 47,615 shares of Series B preferred stock at option prices ranging from $14.19 to $33.31 a share. These options expire at various dates from February 21, 1971 to February 18, 1974. During 1970, options for 78 shares of Series A preferred stock were exercised at a price of $35.24 and options for 4,746 shares of Series B preferred were exercised at prices ranging from $14.19 to $17.75.

On October 23, 1970, the Company granted to officers and other key employees options to purchase 249,700

shares of common stock at a price of $16.875 a share. None of these options become exercisable before October 23, 1971.

WESTINGHOUSE ELECTRIC CORPORATION

Financial Review

Stock Options outstanding at January 1, 1970 amounted to 667,752 shares. During 1970, options for 214,800 shares were granted at an average of $67 per share, options for 76,383 shares were exercised at prices ranging from $33 to $62 and options for 15,800 shares terminated. At December 31, 1970 options for 790,369 shares were outstanding at prices ranging from $33 to $77 per share, of which 460,006 shares were exercisable.

All outstanding options conform to the requirements for "restricted stock options" or "qualified stock options" as defined in the Internal Revenue Code. The purchase price of the common stock under options granted on and after December 27, 1962 is not less than the fair market value of the common stock at the date of granting, and the purchase price under all other options is not less than 95 per cent of such fair market value. The duration of the options is five years (10 years in the case of options granted before January 1, 1964) from the date of grant, subject to earlier terminations in special circumstances. The 1959 Plan terminated on March 31, 1964 and no further options may be granted thereunder. The number of shares available for future options under the 1966 Plan was 236,475 shares at January 1, 1970 and 34,075 shares at December 31, 1970.

No Options Exercised During Year

FAIRCHILD HILLER CORPORATION

Notes to Financial Statements

Note 8: Two incentive Stock Option Plans were in effect on December 31, 1970. They authorized the granting of options to purchase common stock to officers and other key employees. Options granted under the 1960 Plan may be exercised during an eight-year period, beginning two years after the date of grant of each option, at a price equal to the market price at the date of grant. Options granted under the 1965 Plan may be exercised during a four-year period, beginning one year after the date of grant, at a price equal to the market price at the date of grant. The following summary reflects the transactions for the Plans during 1970:

	Number of Shares Under Option
Balance January 1, 1970	180,950
Options granted	51,500
Options cancelled	(35,450)
Options exercised	— —
Balance December 31, 1970	197,000
Exercisable at December 31, 1970	145,500

On December 31, 1970, options for 197,000 shares were held by 119 employees at option prices ranging from $6.0625 to $23.4375 per share. No additional options may be granted under either the 1960 or the 1965 Plan.

JOHN FLUKE MFG. CO., INC.

Notes to Financial Statements

Note 3: Stock Options—On January 13, 1970, the stockholders approved an additional qualified stock option plan (1970 Plan - adopted by Board of Directors November 20, 1969) whereby 45,000 shares of common stock were reserved for granting options to key employees. Authority to grant additional options under the prior plan (1960 Plan) terminated on September 30, 1969.

Option transactions during fiscal 1970 were as follows:

	(Shares) Total	Option Plan of 1960	Option Plan of 1970	Price Range
Outstanding, Sept. 30, 1969	39,600	39,600		$10.38 to $20.75
Options Granted	17,000		17,000	$ 6.18 to $12.06
Options Terminated	(17,400)	(17,400)		$12.63 to $20.75
Outstanding Sept. 30, 1970	39,200	22,200	17,000	$ 6.18 to $15.12
Options Exercisable at Sept. 30, 1970	20,450			$10.38 to $15.12

Under the 1960 plan, options are exercisable after three years' continuous employment and expire at various dates to August 7, 1974. Under the 1970 plan, options are exercisable after one year continuous employment, and expire five years from date of grant. Options granted under both plans are at market value at date of grant. At September 30, 1970, 28,000 shares remained available for further options.

THE RATH PACKING COMPANY

Notes to Financial Statements

Note 5: Common Stock Reserved—At October 3, 1970, 222,360 shares of authorized but unissued common stock are reserved for issuance upon exercise of warrants and stock options. Of the total reserved shares, 208,600 are issuable upon exercise of warrants issued under provisions of the Joint Credit Agreement (see Note 1) and 13,760 are issuable upon exercise of options granted under the Company's stock option plan, which is described below.

The stock option plan for key executives and employees has expired with respect to granting of further options. The purchase price of shares under option is fair market value at date of grant or par value, whichever was greater. Options granted were for five-year periods, and 20% of each grant lapses each year commencing two years from date of grant. At October 3, 1970, all outstanding options are exercisable.

During the 1970 fiscal year, no options were exercised and options for 5,480 shares lapsed. At October 3, 1970, options for 13,760 shares are outstanding at $10.00 per share.

SCOPE INDUSTRIES

Notes to Consolidated Financial Statements

Note 5: Employee Stock Options—At July 31, 1969, options to purchase 15,500 shares of common stock were outstanding. Under the Company's qualified stock option plan, no options were granted or exercised and options of 2,500 shares expired. At July 31, 1970, options for 13,000 shares were outstanding, including 10,000 shares under a non-qualified option at prices of $7.00 to $18.50 per share. Of these, options for 9,000 shares were then exercisable. A total of 35,750 shares was reserved for employee stock options at July 31, 1970.

Stock Purchase Plans

AMERICAN BUILDING MAINTENANCE INDUSTRIES

Notes to Financial Statements

Note 7 (in part): Capital Stock—The Company has an employees' stock purchase plan under which the sale of 100,000 shares of its common stock has been authorized. The purchase price of the shares under the plan in its first year which commenced February 2, 1970, is the lesser of 85% of the fair market value on February 2, 1970, or 85% of the fair market value on the date of exercise of the option to purchase such stock. The employees may designate up to 10% of their compensation for the purchase of stock. During the year, 5,881 shares of stock were issued under the plan for an aggregate purchase price of $150,856. The market value of the shares aggregated $181,560 at the dates of exercise.

Of the proceeds received on the issuance of stock purchased under the option and stock purchase plans, the stated value ($.66⅔ per share) is credited to common stock and excess credited to paid-in capital surplus.

USM CORPORATION

Notes to Financial Statements

Note 1. Stock Purchase Plan—Under the Career Executive Incentive Stock Purchase Plan, rights were granted during the year to 91 employees to purchase 56,110 shares of common stock at $14.10 to $16.90 per share which was 40% of the quoted market value on the last business day prior to the date of the respective grants. During the year, options for 52,910 shares were exercised and 3,200 shares lapsed.

Under the provisions of the plan, the options, which must be exercised within 60 days after the date of grant, provide for a purchase price equal to the higher of the par value of such shares or 40% of the last reported sales price of such stock on the last business day prior to the date of the grant. The aggregate number of shares which may be sold under the plan will not exceed 200,000 shares which will be made available from treasury common stock.

Sale or disposition of shares sold under the plan is restricted. Restrictions expire from time to time during the employee's service (generally a period of up to 25 years) as to portions of the shares purchased. In the event of termination of employment, the plan provides, with certain exceptions, for the sale of the shares to the company by the employee at the original purchase price. The excess of the market value at date of grant over the option price (aggregating $3,148,000 for options exercised) is being charged on a pro rata basis to income over the period from date of grant to dates on which the restrictions lapse. Annual charges to income in connection with the 152,710 shares issued are insignificant.

On March 5, 1970, rights were granted to 66 employees to purchase 32,200 shares of common stock at $12.85 per share which was 40% of the quoted market value on the last business day prior to the date of the grant. An additional 15,290 shares may be sold to employees under the plan from time to time through December 31, 1977.

XEROX CORPORATION

Notes to Financial Statements

Note 5 (in part): Stock Option and Restricted Stock Purchase Plans—Under the Restricted Stock Purchase Plan approved by shareholders in 1969, 600,000 shares of Class B stock were authorized and reserved for sale to key executives. Class B stock possesses equal rights with common stock as to voting, dividends and liquidation but does not have preemptive rights. The purchase price is 50% of the market value of the Company's common stock on the date of grant. A participant may borrow the full amount of the purchase price from the Company at an annual interest rate of not less than 4%. Shares issued pursuant to the Plan are subject to restrictions. These restrictions lapse at the rate of 7½% per year for ten years commencing not less than two years from date of purchase and all remaining restrictions lapse equally over the five years ending in the year of the participant's 60th birthday. At the request of the participant, the Company is obligated to either repurchase for cash the Class B stock on which the restrictions have lapsed, at the market value of Xerox common stock on the date the request for repurchase is made, or exchange them for the same number of shares of Xerox common stock. Upon termination of employment, a participant must resell to the Company, at the original price, all shares still subject to restrictions.

Grants were exercised for 276,000 shares at an average price of $48.14 per share during 1970. There were cancellations of 43,375 shares during 1970. At December 31, 1970, the participants have outstanding notes of $27,411,000 due the Company. These notes bear interest at 4% per annum and are secured by the participants' Class B shares.

For accounting purposes, the difference between the fair market value of the Class B stock at date of grant and the purchase price represents compensation. The

compensation is deferred and, together with the notes receivable, is shown as a deduction from shareholders' equity. The deferred compensation is amortized to income over the period commencing with the year of grant and ending with the year the last restrictions lapse.

TREASURY STOCK

Chapter 1B of *Accounting Research Bulletin No. 43,* as revised by *Opinion No. 6,* deals with accounting for treasury stock. Table 2-58 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-four companies held both common and preferred treasury stock, 12 held only preferred treasury stock and 369 held only common treasury stock.

Examples of treasury stock presentations are shown below.

TABLE 2-58: TREASURY STOCK

Balance Sheet Presentation*	1970	1969	1968	1966
Common Stock:				
A: Deducted from total of capital stock, additional capital (if any), and retained earnings—at cost ...	328	302	289	273
B: Deducted from issued stock of the same class—at par or stated value	69	69	76	75
C: Deducted from issued stock of same class—at cost or not stated	12	13	12	18
D: Shown as a non-current asset	19	15	19	22
Other, or valuation basis not stated				
Subtotal	453	417	410	399
Preferred stock:				
E: Deducted at cost from total of capital stock, additional capital, and retained earnings	53	43	37	37
F: Deducted at par or stated value from issued stock of the same class	37	38	32	35
Other, or valuation basis not stated				
Subtotal	98	89	70	81
Total	551	506	480	480
Number of Companies				
Disclosing treasury stock	455	426	419	416
Not disclosing treasury stock	145	174	181	184
Total	600	600	600	600

*Refer to Company Appendix Section—A: 15, 89, 222, 496; B: 368, 605, 728; C: 366, 568; D: 207; E: 88, 213, 488; F: 165, 312, 428.

Deduction in Stockholders' Equity

AMERICAN BAKERIES COMPANY

Stockholders' Equity (Notes 3 and 4):	
Cumulative prior preferred stock—	
$1.80 series, 87,512 shares, stated at liquidating value of $35 per share	$ 3,062,920
$1.80 convertible series, 100,000 shares, stated at par value of $25 per share	2,500,000
5% cumulative convertible preferred stock, $100 par value; outstanding 83,855 shares in 1970 and 83,939 shares in 1969	8,385,500
Common stock, no par value; authorized 5,000,000 shares; issued 2,038,455 shares in 1970 and 2,038,058 shares in 1969 ...	8,096,524
Retained earnings	29,747,936
	51,792,880
Less—Capital stock held in treasury, at cost—	
Common (7,237 shares)	213,856
$1.80 cumulative prior preferred (2,261 shares)	39,225
5% cumulative convertible preferred (2,033 shares)	130,906
	383.987
	$ 51,408,893

Note 3: Preferred Stock—The following are descriptions of the three preferred stock issues:

(a) The cumulative prior preferred stock, $1.80 series, has a par value of $25 per share, and is redeemable and has a preference in liquidation at $35 per share. Each share is entitled to one vote.

(b) On October 29, 1969, 100,000 shares of cumulative prior preferred stock, $1.80 convertible series, were sold at par, $25 per share, to Grant Associates. Commencing on or before January 1, 1975, the company must set aside in a sinking fund annually amounts sufficient to redeem at least 5,000 shares at $25 per share. Each share of such stock may be converted at any time into common stock at a conversion price of $12.50 per share. Each share of this series of cumulative prior preferred stock is entitled to two votes, and may be redeemed by the company at any time and has preference in liquidation at $35 per share

(c) The 5% cumulative convertible preferred stock has a par value and a liquidation preference of $100 per share and is subordinate to the cumulative prior preferred stock. It is redeemable after July 15, 1967 at $105 per share. Each share is entitled to one vote and may be converted into common stock at $21.09 (adjusted for dilutive effects of $1.80 convertible series described above and stock options). During 1970, 84 shares of this stock were converted into 397 shares of common stock.

In 1970, the shareholders authorized 1,000,000 shares of Preference Stock issuable in series with the number

of shares, rights, preferences, and terms of each series to be established by the Board of Directors. No shares under this authorization have been issued.

Note 4: Common Stock—In connection with the sale of 100,000 shares of $1.80 convertible series preferred stock, warrants for the purchase of 100,000 shares of common stock at $15 per share were sold in 1969 for $5,000. These warrants are exercisable after January 1, 1970

As of January 2, 1971, the company had 284,905 shares of common stock reserved for issuance under stock option plans. At that date, options to purchase 151,385 shares were outstanding at prices ranging from $10.00 to $30.38, of which options for 146,885 shares were then exercisable. During 1970, options for 6,500 shares were granted, options for 15,450 shares were cancelled, no options expired, and no options were exercised.

Per share earnings applicable to common stock are based on the weighted average number of common shares outstanding during each year, after recognition of the dividend requirements on preferred stock. As of January 2, 1971, there would be no dilution of common earnings per share had the stock options and warrants been exercised and preferred stock converted into common.

Common stock transactions for the year ended January 2, 1971, were as follows:

	Common Shares
Balance at beginning of year, as previously reported	2,018,058
Shares issued to acquire Ohio Outdoor Advertising Corporation accounted for on a pooling-of-interests basis (Note 1)	20,000
Balance at beginning of year, as restated	2,038,058
5% preferred converted into common	397
Balance at end of year	2,038,455

As of January 2, 1971, 972,741 shares of common stock were reserved for conversion of preferred stock and exercise of warrants and stock options.

THE CLEVELAND-CLIFFS IRON COMPANY

Shareholders' Equity

Preferred Shares—$4.50 cumulative, par value $100 a share:	
Authorized—500,000 shares	
Outstanding—149,719 shares	$ 14,972,000
Common Shares—par value $1 a share:	
Authorized—7,000,000 shares	
Issued—4,166,318 shares	4,166,000
Capital in excess of par value of shares	18,782,000
Retained income	171,110,000
Common Shares in treasury—at cost:	
Held by the Company—265,146 shares	(11,490,000)
Held by a subsidiary—930,113 equivalent shares-Note C	(47,020,000)
	$ 150,520,000

Note C (in part): Investment in Cliffs-St. Clair Corporation (formerly Detroit Steel Corporation)—During 1970, the Company purchased, as a result of a cash tender offer, a majority ownership in the common stock of Cliffs-St. Clair Corporation (then named Detroit Steel Corporation). Subsequent thereto, and in accordance with certain agreements with Cyclops Corporation, Cliffs-St. Clair transferred all of its operating assets, subject to substantially all of its liabilities, to Cyclops through a wholly-owned subsidiary together with its note in the amount of $1,414,000, in exchange for 761,794 shares of its common stock held by Cyclops. Such shares were canceled and returned to the status of authorized but unissued shares. Upon completion of these transactions, the Company owned 82.3 percent of the outstanding common stock of Cliffs-St. Clair, whose principal remaining asset was 1,130,150 Common Shares of the Company. It is contemplated that, eventually, Cliffs-St. Clair will be liquidated and its holdings of Common Shares of the Company distributed to its shareholders, including the Company. Accordingly the Company's investment in Cliffs-St. Clair has been classified in the accompanying balance sheet as the equivalent of 930,113 Common Shares in treasury, representing 82.3 percent of 1,130,150 Common Shares of the Company held by Cliffs-St. Clair.

MONSANTO COMPANY

Shareowners' Equity:	(In Thousands)
Preferred stock— authorized, 10,000,000 shares without par value, issuable in series; outstanding, 2,313,910 shares in 1970 and 2,302,810 shares in 1969, stated value $2.24 each, $2.75 dividend, cumulative, convertible and redeemable; involuntary liquidation preference, $35 a share, or an aggregate of $80,986,850 in 1970 and $80,598,350 in 1969	$5,183
Common stock—authorized 50,000,000 shares, par value $2 each; issued, 33,088,362 shares in 1970 and 1969	66,177
Paid-in surplus	583,572
Retained earnings	551,595
	1,206,527
Less—common stock in treasury, at cost (301,741 shares)	12,296
	$ 1,194,231

Financial Review

Treasury Shares

At December 31, 1969, the Company owned 153,132 shares of its common stock which were restricted as to use for specific purposes, and carried in Miscellaneous Investments at a cost of $7,163,000. In February 1970, the Board of Directors removed the restrictions on the use of these shares, and authorized that they be available for general corporate purposes. Accordingly, these shares, plus subsequent shares purchased and those shares added through cancellations of bonus awards and terminated employes' stock purchase contracts, are shown as treasury shares. In addition, there were 253,325 shares held for specific purposes and carried in Miscellaneous Investments in the accompanying statement of financial position at December 31, 1970.

Deducted from Same Issue

GOLDBLATT BROS., INC.

Shareholders' Investment:	
Common shares, par value $2.00 per share. Authorized 5,000,000 shares; issued 3,054,538 shares, less 12,000 shares held in treasury at no cost; outstanding 3,042,538 shares (Note 9)	$ 6,109,076
Paid-in capital	1,584,774
Retained earnings	32,819,925
Total shareholders' investment	$ 40,513,775

Note 9: In May, 1969, the shareholders of the company authorized an issue of 500,000 preferred shares, without par value, issuable in series.

McGRAW-EDISON COMPANY

Stockholders' Equity:	
Common stock— authorized 18,000,000 shares; $1 par value per share; outstanding 13,818,549 shares in 1970 after deducting 42,502 shares in treasury (Note 5)	$13,819,000
Additional paid-in capital	56,931,000
Earnings retained for use in the business	225,769,000
	$296,519,000

Note 5—Changes in McGraw-Edison Company $1 par value, common stock during the year 1970 were as follows:

	Shares Issued	Shares in Treasury	Shares Issued And Outstanding
Balance December 31, 1969	13,856,876	200,334	13,656,542
Shares issued under stock option plans	4,175	–	4,175
Shares issued to profit sharing trust	–	(149,332)	149,332
Shares issued for the capital stock of Northern Industries, Inc.	–	(8,500)	8,500
Balance December 31, 1970	13,861,051	42,502	13,818,549

NORTH AMERICAN SUGAR INDUSTRIES

Shareholders' Equity:

Capital Stock:

7% cumulative preferred stock—noncallable—par value $100—Authorized 1,000 shares—all in treasury

Common stock—par value $10

	1970	1969	
Authorized and issued	1,000,000	1,000,000	
In treasury	311,300	290,100	
Outstanding	688,700	709,900	$6,887,000

Retained earnings—per accompanying statement	$17,092,733

Included in Assets

DRESSER INDUSTRIES, INC.

Investments and Other Assets	*In Thousands of Dollars*
Investments—	
Unconsolidated subsidiaries and 50% owned companies	*$10,678*
Other securities—at cost (approximate market)	*9,246*
Trade notes receivable	*4,372*
Common shares of the Company held for deferred compensation—at cost—Note G	*1,973*
Excess of cost over net assets of businesses acquired	*23,756*
Other assets	*11,144*
Total Investments and Other Assets	*$61,169*

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. At October 31, 1970, 158,277 shares have been made available from the treasury for that purpose and an additional number of shares will be so made available to satisfy the deferred liability accrued for the year ended October 31, 1970.

FORD MOTOR COMPANY

Investments and Other Assets	(in millions of dollars
Equities in net assets of unconsolidated subsidiaries	$774.1
Other investments, at cost, and other assets	167,9
Total investments and other assets	$942.0

Notes to Financial Statements

Class A Stock and Common Stock in Treasury—At December 31, 1970, 725,187 shares of Class A Stock and 436,435 shares of Common Stock were held in the Treasury for the purposes described below. The cost of these shares, $54.7 million, is included with other investments in the accompanying balance sheet.

The 436,435 shares of Common Stock held in the Treasury were acquired on the New York Stock Exchange and elsewhere at a cost of $18.8 million for the purpose of delivery upon conversion of $60 million aggregate principal amount of 5% Convertible Guaranteed Debentures due 1983, issued in 1968 by Ford International Capital Corporation, a wholly-owned consolidated subsidiary of the Company. The debentures are convertible into a total of 869,400 shares of Common Stock of Ford Motor Company at a conversion rate equivalent to a price of $69.01 a share. Of the Class A Stock held in the Treasury, 432,965 shares were acquired from The Ford Foundation at a cost of $22.3 million as an offset to issuance of all or part of the Common Stock deliverable upon conversion of these debentures. All such shares of Class A Stock are expected to be retired prior to or upon the issuance of an equal number of shares of

Common Stock upon conversion of the debentures.

The remaining 292,222 shares of Class A Stock held in the Treasury were purchased from The Ford Foundation at a cost of $13.6 million for ultimate conversion, as needed, into an equal number of shares of Common Stock for issuance under the deferred payment provisions of the Company's Supplemental Compensation Plan. Such purchases were made pursuant to an agreement with the Foundation under which the Company is acquiring on a monthly basis substantially all of its requirements of stock for this purpose.

Changes in Capital

(Thousands of dollars—Columns for issued common stock and capital in excess of par value omitted)

	In Treasury	
	Shares	Cost
Balance, December 31, 1969	18,110	$860
Purchases of treasury shares during the year	1,000	38
Transfer of treasury shares to Incentive Compensation Reserve	(9,839)	(467)
Shares returned to treasury from Incentive Compensation Reserve	9,255	459
Balance, December 31, 1970	18,526	$890

Other Presentations

OTIS ELEVATOR COMPANY

Provisions for other liabilities	(Thousdands of Dollars)
Severance indemnities—foreign	$4,268
Pensions	1,932
Incentive compensation	1,026
Incentive compensation contingent allotments	1,945
Other	1,371
Stockholders' Equity	
Common stock	26,014
Authorized 15,000,000 shares—par value $3.125	
Issued: 8,324,432 shares	
Capital in excess of par value	4,823
Earnings retained	205,341
Total	236,178
Less cost of common shares held in treasury (18,526 shares)	890
Total Stockholders' Equity	235,288

Financial Review

Salaries, Wages and Employee Benefits (in part)—The Incentive Compensation Contingent Reserve of $1,945,000 at December 31, 1970, represents dividend equivalents accumulated upon shares of stock contingently allotted to participants in the Incentive Compensation Plan. The 1970 income has been charged with $303,000 representing dividend equivalents on shares contingently allotted in addition to the 1970 appropriation to the Incentive Compensation Reserve. At December 31, 1970, the liability for 149,700 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.

Section 3: Income Statement

TITLE OF INCOME STATEMENT

A majority of the survey companies continued to use the term *income* in the title of the statement describing the results of operations for a period of time. Five companies, compared with 74 companies in 1955, used terms other than *income, earnings*, or *operations*.

Table 3-1 summarizes the key word terms used in income statement titles. Seventeen companies changed the key work term—10 companies changed to *operations*, 5 companies changed to *income*, and 2 companies changed to *earnings*.

Examples of income statement titles follow.

Income

ARMCO STEEL CORPORATION
Statement of Consolidated Income

NEPTUNE METER COMPANY
Consolidated Statement of Income and Accumulated Earnings

Earnings

MARCOR INC.
Statement of Earnings

PFIZER INC.
Statement of Consolidated Earnings and Retained Earnings

SUPERMARKETS GENERAL CORPORATION
Consolidated Statement of Earnings

Operations

CONTROL DATA CORPORATION
Statement of Consolidated Operations

COOPER INDUSTRIES, INC.
Consolidated Results of Operations

WALTER KIDDE & COMPANY, INC.
Consolidated Statements of Operations

Other

ASG INDUSTRIES, INC.
Consolidated Statement of Income and Expense

STANRAY CORPORATION
Consolidated Statement of Income (Loss)

TABLE 3-1: INCOME STATEMENT TITLE

Terminology Used	1970	1969	1968	1965
Income	380	381	383	393
Earnings	178	182	183	174
Operations	37	30	28	24
Other	5	7	6	9
Total	600	600	600	600

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. A substantial number of income statements, both single-step and multiple-step, showed such items as income taxes, operating results of discontinued operations, equity in earnings or losses of investees and minority interest in a separate last section.

Table 3-2 indicates that the "single-step" form is used more frequently than the "multiple-step" form. Eleven companies changed the income statement form – 6 companies changed to "single-step" and 5 companies changed to "multiple-step."

SALES

Table 3-3 which summarizes the various captions used by the survey companies to describe income from sales and services, discloses that *net sales* continues to be the most frequently used caption.

Net Sales

AMERICAN BEEF PACKERS, INC.

Revenues:

Net sales (less returns allowances and freight-out of $12,517,253 in 1970) $353,457,770

TABLE 3-2: INCOME STATEMENT FORM

Form of Statement*	1970	1969	1968	1965
Single-step form:				
A: Federal income tax shown as separate last item	256	261	261	196
B: Federal income tax listed among operating items	135	131	144	153
C: No provision shown for federal income tax	6	8	5	17
Subtotal	397	400	410	366
Multiple-step form:				
D: Costs deducted from sales to show gross profit on sales	110	97	95	117
E: Costs and expenses deducted from sales to show operating income	93	100	90	117
Other	–4	3	5	N/C
Subtotal	203	200	190	234
Total	600	600	600	600

N/C–Not compiled.

*Refer to Company Appendix Section–A: 3, 115, 282, 341, 495; B: 428, 569, 647, 730; C: 36,241; D: 32, 103, 568, 725; E: 238, 311, 450, 581.

TABLE 3-3: SALES

Income Statement Shows*	1970	1969	1965	1960
Net Sales:				
A: Net sales	361	366	363	382
B: Net sales and operating revenue	33	35	35	N/C
C: Net sales combined with other terms	17	35	33	67
Subtotal	411	436	431	449
Sales:				
D: Sales	89	79	87	97
E: Sales and operating revenue	42	36	49	N/C
F: Sales combined with other terms	16	3	N/C	N/C
Subtotal	147	118	136	97
Other Presentations:				
G: Revenue or gross operating income ...	22	32	17	25
Gross sales	6	2	15	18
Other terms such as income, billings, shipments	14	12	N/C	N/C
Subtotal	42	46	32	43
No sales (initial item is gross profit or no income statement presented)	--	--	1	11
Total	600	600	600	600

N/C–Not compiled.

*Refer to Company Appendix Section–A: 158, 225, 665; B: 66, 328, 416, 527; C: 171, 465, 467, 472; D: 20, 223, 670; E: 567, 642, 721; F: 389, 569, 605; G: 198, 274, 534.

AMERICAN BILTRITE RUBBER CO., INC.

Net sales $160,525,959

AMERICAN HOME PRODUCTS CORPORATION

Sales $1,382,039,000
Returns, allowances, delivery, etc. 87,713,000
Net sales $1,294,326,000

BOTANY INDUSTRIES, INC.

Net sales (including retail leased department sales–$7,778,000–1970) $152,788,000

NATIONAL PRESTO INDUSTRIES, INC.

Gross sales $162,914,556
Less freight, discounts, etc. 2,284,530
Net sales $160,630,026

NEPTUNE METER COMPANY

Net sales of manufactured products and other operating revenues $59,506,313

Sales

DIAMOND SHAMROCK CORPORATION

Revenues

Sales of products and operating revenues	$555,839,000
Management fees, sales commissions, dividends, royalties, etc.	14,049,000
	$569,888,000

M. H. FISHMAN CO. INC.

Sales and net income from leased departments	$66,479,168

Other Terms

LOUISVILLE CEMENT COMPANY

Billings to customers	$39,291,667
Less freight and discounts	7,849,476
	$31,442,191

OTIS ELEVATOR COMPANY

Income:	(in thousands of dollars)
Contracts completed ($601,438 and $535,777,respectively) and other revenue	$621,074
Interest income	3,399

PHILIP MORRIS INCORPORATED

Operating revenues	$1,509,540,000

TABLE 3-4: COST OF GOODS SOLD

Presentation in Income Statements*	1970	1969	1965	1960
Single amount for:				
A: Cost of goods sold	445	462	416	359
B: Cost of goods sold together with other expenses	106	94	133	187
C: Manufacturing cost of goods sold	12	15	19	14
D: Elements of cost	10	N/C	N/C	N/C
Two or more amounts for:				
E: Categories of cost	14	12	31	28
F: Elements of cost	13	17	31	28
No presentations of cost of goods sold	--	--	1	12
Total	600	600	600	600

N/C—Not compiled.

*Refer to Company Appendix Section—A: 3, 53, 84, 108, 310, 332; B: 26, 260, 705; C: 204, 239, 465; D: 191, 376, 634; E: 195, 364, 605; F: 10, 235, 349.

COST OF GOODS SOLD

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.

Single Amount for Cost of Goods Sold

ARMSTRONG CORK COMPANY

Costs and expenses:	(000)
Cost of goods sold	$333,796
Selling and administrative	96,995
Depreciation and amortization	21,891
Other charges	6,222
	$458,904

CHICAGO BRIDGE & IRON COMPANY

Costs of contracts closed	$259,271,207

EVANS PRODUCTS COMPANY

Costs and Expenses:	(in thousands)
Costs of operations	$476,278
Selling and administrative	43,731
Depreciation and amortization	9,081
Interest expense	10,352
	$539,442

KINNEY NATIONAL SERVICE, INC.

Costs and expenses:	Thousands of Dollars
Cost of revenues, exclusive of amounts shown separately below	$370,999
Selling, general and administrative expenses	71,007
Depreciation and amortization of fixed assets	3,328
Other deductions, net (principally interest)	5,804
Provision for income taxes (including deferred taxes: 1970—$16,321)	31,180
	$482,318

MIRRO ALUMINUM COMPANY

Net sales	$59,769,766
Cost of goods sold	41,671,796
Gross profit on sales	$18,097,970

NORTH AMERICAN SUGAR INDUSTRIES INCORPORATED

Expenses:	
Cost of refined sugar and molasses sold	$104,599,320
Selling, general and administrative	5,145,271
Depreciation	1,059,085
Interest	404,992
	$111,208,668

PENN FRUIT CO., INC.

Cost and expenses:	
Cost of merchandise sold	$244,432,832
Operating expenses less other income	55,993,747
Depreciation and amortization	2,524,422
Taxes on income before extraordinary items	1,747,000
	$304,698,001

THE SHERWIN-WILLIAMS COMPANY

Costs and expenses (including depreciation computed principally on the straight-line method of $10,645,666 in 1970 and $9,265,119 in 1969):	
Cost of products sold	$332,386,375
Selling, general and administrative expenses	154,312,500
Pensions	4,430,636
Interest	6,759,220
	$497,888,731

Cost of Goods Sold Together with Other Expenses

GOLDBLATT BROS., INC.

Cost of goods sold and expenses exclusive of items listed below (Note 6)	$143,546.886
Salaries, wages and employee benefits	49,113,481
Contribution to Employees' Savings and Profit Sharing Pension Plan	54,223
Depreciation and amortization	2,030,712
Rental expense	3,608,428
Taxes, other than Federal income taxes	4,911,430
Interest and debt expense	3,236,650
	$206,501,810

Note 6: For the fiscal years ended January 30, 1971, and January 31, 1970, the cost of goods sold, buying and occupancy expenses were $149,731,390 and $154,801,101, respectively, including charges for LIFO inventory adjustments of $367,386 and $354,225, respectively, and selling, general and administrative expenses were $54,246,426 and $53,871,867, respectively.

J. J. NEWBERRY CO.

Net sales	$414,558,304
Costs of merchandise sold, including occupancy and buying costs	289,860,310
	124,697,994
Selling and general expenses	115,319,147
Operating income	9,378,847
Interest expense	3,567,244
	$ 5,811,603

Manufacturing Cost of Goods Sold

AMERICAN CYANAMID COMPANY

Manufacturing cost of sales—less depreciation and depletion	$ 632,623,802
Selling and advertising expenses	195,206,113
Administrative and general expenses	58,349,279
Depreciation and depletion	58,513,790
Research and process development expenses	46,045,505
Interest charges on funded and other debt	8,066,785
Employees' benefits	31,413,055
	$1,030,218,329

ELI LILLY AND COMPANY

Costs and Expenses:	
Manufacturing costs of products sold	$212,076,340
Research and development	61,042,127
Marketing	101,720,966
Shipping	15,645,747
General administrative	57,727,776
Foreign exchange losses	648,248
Other deductions	10,735,119
	$459,596,323

Elements of Cost

PHOENIX STEEL CORPORATION

Costs and other expenses:	
Employment costs	
Wages and salaries	$21,986,711
Pensions, social insurance and other employee benefits	5,566,272
Materials, services and other expenses	38,720,818
Provision for depreciation	4,760,001
Interest and debt expense, net	3,735,894
	$74,769,696

UNITED STATES GYPSUM COMPANY

Costs and expenses:	In thousands of dollars
Cost of products sold	
Plant wages and salaries	$117,508
Materials, services and other costs	222,090
Provision for depletion and plant depreciation	16,330
Total costs	355,928
Selling and administrative expenses	75,744
Total costs and expenses	$431,672

WM. WRIGLEY JR. COMPANY

Costs and expenses:	
Materials, labor, and services consumed in making chewing gum and other products bought by customers	$ 89,568,000
Selling, distribution, and general administrative expenses	54,155,000
Provision for depreciation of properties	4,728,000
Total costs and expenses	$148,451,000

Two or More Captions for Categories of Cost

CONTROL DATA CORPORATION

Cost of sales	$285,818,349
Cost of rentals and service	158,897,563
Total cost of sales, rentals and service	$444,715,912

RCA CORPORATION

Cost of operations:	
Cost of product sales	$1,291,807,000
Cost of broadcasting, product services, communications, and other services	957,453,000
Selling, general and administrative expenses	540,533,000
Depreciation	214,479,000
Rent	61,158,000
State, local, and miscellaneous taxes	43,529,000
Interest	62,468,000
Total cost of operations	$3,171,427,000

TABLE 3-5: OPERATING EXPENSES

Captions Shown on Income Statement	1970
Selling (marketing), general and administrative	320
Selling and general or administrative	165
Taxes other than income taxes	56
Research, development, engineering	51
Employee benefit plans	50
General or administrative	46
Operating	33
Exploration, dry holes, abandonments	25
Rentals	23
Selling	23
Other-identified	63

OPERATING 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 shows those captions used most frequently in the income statement to describe operating expenses other than depreciation and income taxes which are discussed elsewhere. The figures shown in Table 3-5 do not reflect captions which combine selling, general, and administrative expenses with other types of operating expenses. Examples of captions used to describe operating expenses follow. Also presented are examples of disclosures made as to the effect of strikes upon earnings. Such disclosures were made in material not covered by the accountants' opinion.

Captions for Operating Expenses

ADDRESSOGRAPH MULTIGRAPH CORPORATION

Cost and Expenses:	
Cost of products and services sold	$212,816,000
Research, development and engineering expenses	16,351,000
Branch and commission expenses	111,277,000
Other selling, advertising, general and administrative expenses	49,468,000
Interest and debt expenses	8,036,000
	$397,948,000

AMERICAN METAL CLIMAX, INC.

Cost of sales, exclusive of items shown separately	$654,320,000
Depreciation and depletion	36,150,000
Selling and general expenses	55,510,000
Taxes other than Federal and foreign income taxes	15,760,000
Total costs applicable to sales	$761,740,000

AMERICAN MOTORS CORPORATION

Costs and Expenses:	(Dollars in Thousands)
Cost of products sold, other than items below	$ 967,868
Selling, advertising, and administrative expenses	121,942
Amortization of tools and dies	30,606
Depreciation and amortization of plant and equipment	12,709
Cost of pensions for employees	15,386
Interest	5,946
	$1,154,457

APCO OIL CORPORATION

Costs and expenses:	
Cost of sales and operations	$ 75,506,560
Selling and general expenses	12,353,685
Gross production and ad valorem taxes	859,377
Interest and debt expense	3,625,908
Depreciation, depletion and amortization	9,009,137
Exploration expense	1,416,861
Provision for income taxes	646,150
	$103,417,678

HAZELTINE CORPORATION

Costs and expenses:	
Costs allocated to contract sales	$49,034,054
Industrial products engineering, marketing, and selling expenses	2,790,099
General and administrative expenses	4,916,163
Expenses applicable to patent and other income	751,919
Litigation expenses in connection with counterclaim in Hazeltine Research, Inc. v. Zenith Radio Corporation	136,046
Income taxes	762,000
	$58,390,281

HERSHEY FOODS CORPORATION

Costs and Expenses:	
Cost of goods sold	$230,821,879
Selling, administrative and general	50,065,475
Shipping	19,493,586
Depreciation	5,514,123
Interest	2,915,340
Total costs and expenses	$308,810,403

JOHNS-MANVILLE CORPORATION

Costs and Expenses:	
Cost of sales	$433,192,000
Selling, general and administrative expenses	85,245,000
Research, development and engineering expenses	13,110,000
Total	$531,547,000

O'SULLIVAN CORPORATION

Operating Expenses:	
Selling and warehousing	$ 913,081
Advertising and business promotion	136,752
General and administrative	360,321
Total Operating Expenses	$1,410,154

THE RATH PACKING COMPANY

Costs and expenses:	
Cost of product sold	$251,995,842
Delivery expense	11,157,964
Selling, general and administrative expenses	11,027,941
Depreciation and amortization (straight-line method)	1,542,937
Retirement and pension expense	1,443,964
Interest expense	1,354,768
Total costs and expenses	$278,523,416

THE SIGNAL COMPANIES, INC.

Expenses:	
Cost of sales and operating expenses	$1,228,582,000
Development costs written off	51,255,000
Selling, general, and administrative expenses	150,328,000
Depreciation, depletion, and amortization	43,976,000
Exploration expenses, including abandonments of nonproductive oil properties	11,295,000
Interest	45,110,000
Income taxes:	
Current	9,159,000
Deferred	(24,810,000)
	$1,514,895,000

STANDARD OIL COMPANY (INDIANA)

Costs, Expenses, and Taxes:	
Purchased crude oil, petroleum products, merchandise, and operating expenses	$2,116,408,000
Exploration expenses, including dry hole costs	133,517,000
Selling and administrative expenses	590,905,000
Taxes	1,063,753,000
Depreciation, depletion, amortization, and retirements and abandonments	325,242,000
Interest expense	73,855,000
Income applicable to minority interest	5,530,000
Total costs, expenses, and taxes	$4,309,210,000

Strike References

E. I. du PONT de NEMOURS & COMPANY

To the Stockholders (page 3)—The decline in earnings was partially offset by a lower Federal income tax surcharge, equivalent to 37 cents a share, and lower pension accrual rates. Direct and indirect effects of the General Motors strike reduced fourth quarter earnings by about 15 cents a share.

THE B. F. GOODRICH COMPANY

To Stockholders: (page 1)—In common with the rubber industry generally, the year 1970 was one of disappointments for B. F. Goodrich, its management, directors and shareholders. Sales declined 2% to $1,204,754,000 and net income was down to $15,869,000, or $1.09 a share. Included in this figure was $3,538,000 or 24 cents a share, of non-recurring income resulting largely from the sale of the surplus Institute, West Virginia, synthetic rubber plant and of the Company's 20% interest in the Japanese Geon Company, and partly offset by certain facility and other write-downs.

There were a number of causes for this result. Most important was the succession of labor strikes that restricted business and added greatly to costs. As we entered 1970 a major customer was on strike for several weeks. This affected the operations of several divisions and caused the temporary closing of two production plants.

On April 1, the Teamsters' Union struck the trucking industry for periods of from five to twelve weeks, eliminating our sales to that industry, and causing loss of considerable business through inability to deliver products to other customers.

On May 4, the United Rubber Workers struck all six B. F. Goodrich domestic tire plants and three industrial products plants. After more than five weeks this costly and unnecessary strike was settled with an inflationary wage and employee benefit package, which represented an approximate 25% employment cost increase over a three-year term, nearly half of which was effective in 1970.

Then on September 14, our largest customer, General Motors, was struck. That strike effectively stopped its purchases for nearly all of the remainder of the year. This stoppage necessitated short work weeks and partial shutdowns during the fourth quarter in a substantial number of BFG chemical and rubber products plants.

Additionally, on October 27, the United Rubber Workers local union again struck our Marion, Ohio, hose plant. Settlement of this stoppage was not reached until mid-January, 1971.

Aside from other problems, 1970 was, for BFG, definitely a year of crippling strikes. Unabsorbed overheads from partially operating and struck facilities could not be offset, even with strenuous cost cutting measures. The estimated reduction in per share net income caused by strikes was approximately $1.35.

LEHIGH PORTLAND CEMENT COMPANY

Report of the President (page 6)

Mitchell Strike

The Virgil I. Grissom plant at Mitchell, Indiana, was struck from May 14 to July 23. The dispute arose out of contract negotiations covering a newly formed bargaining unit of clerical employees. Although it is difficult to measure the full economic impact of a shutdown of this nature because one never knows its precise effect on future customer relations, we estimate the pre-tax earnings would have been some $400,000 higher had we operated during the 68 days of strike. This is the sort of consequence one considers when faced by a union ultimatum and may help provide some understanding of why employers go to such lengths in their efforts to buy labor peace.

UMC INDUSTRIES INC.

To our Stockholders: (page 1)—1970 was a disappointing year for UMC Industries when compared to record results achieved in 1969. Profits were adversely affected by canceled government contracts, the Teamsters' strike and the general business slowdown, which resulted in a decline in earnings per share from $1.41 in 1969 to $1.13 in 1970. Our defense-aerospace operations suffered a 55% reduction in sales and an earnings decline equivalent to 23 cents per share. The cost of the six weeks strike by the Teamsters, which occurred in the second quarter, was approximately 10 cents a share. However, we were able to confine our earnings deterioration to the first six months of the year and in the second half of 1970, despite lower sales volume, we increased our profitability by 15% over the corresponding period in 1969.

NONOPERATING 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 nonoperating 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 nonoperating income and expenses. Tables 3-6 and 3-7 have been prepared to show the incidence of items previously included in the nonoperating income and expense section of the multi-step form of income statement. Excluded from these tables are those items usually appearing in the income statement after the deductions of income taxes (see Table 3-28).

Examples of foreign exchange adjustments minority interests, equity in earnings or losses of investees. and discontinued operations are presented in connection with Tables 3-23, 3-25, 3-26, and 3-27, respectively. Examples of nonoperating income and expenses, other than the aforementioned items, follow.

TABLE 3-6: NONOPERATING INCOME

Nature of Income*	1970	1969
A: Interest income	192	158
B: Dividend income	100	104
Equity in earnings of investees	81	78
C: Royalty income	44	48
D: Gain on disposition of assets	27	36
Other captions	95	48
Other (sundry, miscellaneous, etc.) income	454	523
Total presentations	993	995
Number of Companies		
Presenting nonoperating income items	535	539
Not presenting nonoperating income	65	61
Total	600	600

*Refer to Company Appendix Section—A: 416, 550, 612; B: 153, 174, 668, 676; C: 32, 105, 452, 458; D: 297, 330, 567.

Captions For Nonoperating Income

ALLIED CHEMICAL CORPORATION

Other income:	
Dividends and interest	$ 9,510,000
Profit on purchase of debentures	3,775,000
Gain on sales of land and buildings, net of related expenses	533,000
	$13,818,000

AMERICAN CYANAMID COMPANY

Net Sales	$1,158,439,700
Dividends from associated companies, 40% to 50% owned	9,679,653
Equity in net earnings of unconsolidated real estate subsidiaries	2,299,185
Interest	2,511,114
Royalties and licenses	6,354,270
Other income—net	2,109,808
	$1,181,393,730

TABLE 3-7: NONOPERATING EXPENSES

Nature of Expenses*	1970	1969
A: Interest expense	519	510
B: Debt discount and expense	59	61
Minority interests	52	53
Foreign exchanges losses	17	9
Discontinued operations	8	8
C: Other—identified	42	22
Other (sundry, miscellaneous, etc.) charges	279	304
Total	976	967
Number of Companies		
Presenting nonoperating expenses	566	565
Not presenting nonoperating expenses	34	35
Total	600	600

*Refer to Company Appendix Section—A: 250, 273, 309, 571, 722, 725; B: 260, 262, 356, 707, 727; C: 133, 175, 298, 325, 552.

AMERICAN METAL CLIMAX, INC.

Dividend income (page 7-f)	$22,550,000
Interest income and net profit on investments	11,970,000
Interest expense	(19,540,000)
Earnings from other sources	$14,980,000

Financial Review (page 7-F):

Dividends from Amax Investments in other companies (In Thousands)

In Africa	
Roan Selection Trust Limited	$12,630
Tsumeb Corporation Limited	7,110
O'okiep Copper Company Limited	2,400
Miscellaneous	410
Total before U. S. tax	$22,550

BOTANY INDUSTRIES, INC.

Net sales (including retail leased department sales— $7,778,000)	$152,788,000
Royalties (including $100,000 in 1970 from a nonconsolidated foreign subsidiary)	670,000
Other income— net, including $129,000 representing equity in net income of a nonconsolidated foreign subsidiary	494,000
	$153,952,000

THE DOW CHEMICAL COMPANY

Products and Services:	
Net sales	$1,911,105,081
Operating costs and expenses:	
Cost of sales	1,193,300,411
Depreciation	207,744,199
Selling and administrative	250,436,657
	1,651,481,267
Products and services operating income	259,623,814
Non-Products and Services	
Investment and financial (Note 1):	
Profit on investment turnover	10,658,493
Income from sundry investments	3,912,369
Equity in earnings of Swiss banking subsidiary	2,331,584
Administrative expenses	(1,974,248)
Investment and financial income	14,928,198
Other:	
Dividends from associated companies	7,451,640
Sundry income—net	15,890,983
Interest expense—net	(73,521,590)
Non-products and services income (loss)	(35,250,769)
Income before Provision for Taxes on Income	$224,373,045

Note 1: Investment and Financial Income—Except for the earnings of the Swiss banking subsidiary, investment and financial income relates generally to the companies' investment activities. The assets held for investment appreciation, excluding working capital, are shown in the balance sheet caption—Notes, securities and other assets held for investment. Profit on investment turnover represents gain on disposition of these investments. Income from sundry investment includes dividends and lease income.

DRESSER INDUSTRIES, INC.

	In Thousands
Net sales and service revenues	$789,137
Cost of sales and services	530,709
	258,428
Selling, engineering, administrative and general expenses	184,114
	74,314
Other income:	
Interest earned	3,346
Royalties earned	3,268
Other	6,523
	$ 13,137

GENERAL ELECTRIC COMPANY

Sales of products and services to customers	$8,726,738,000
Other income	106,766,000
	$8,833,504,000

1970 Financial Summary (page 29)

Other income amounted to $106.8 million in 1970, an increase of 8% over 1969. Significant items included in other income are shown at the right. Financial statements for General Electric Credit Corporation are on page 35.

Other income	(in millions) 1970	1969
Net earnings of General Electric Credit Corporation	$ 19.9	$15.2
Income from:		
Customer financing	25.8	26.5
Royalty and technical agreements	24.4	18.5
Marketable securities and bank deposits	12.8	12.3
Miscellaneous investments	14.8	10.7
Other sundry income	9.1	15.5
	$106.8	$98.7

SPARTANS INDUSTRIES, INC.

Net sales (excluding domestic manufacturing division being terminated)	$836,997,343
Finance and service charge income	11,776,872
Income from licensed and leased departments	6,547,953
Rent income	3,459,552
Other income (net)	3,474,096
Total	$862,255,816

MASONITE CORPORATION

Sales and other income:	
Net sales	$185,127,000
Income from sale of timber (Note 5)	6,235,000
Income from oil operations, net	1,312,000
Income (loss) from foreign affiliates	796,000
Other income or (expense), net	(27,000)
	$193,443,000

Note 5: Timber Contract—The company has a 10-year contract to supply St. Regis Paper Company with timber cut from a substantial portion of the company's timberlands. Cutting under the contract commenced in 1968. Income under the contract of $5,464,000 in 1970 and $3,725,000 in 1969 has been reflected in the accompanying income statements. Also reflected as a cost in the income statements is the acquisition of a portion of this timber from St. Regis Paper Company by Hood Industries Division acquired in 1970 and accounted for as a pooling-of-interests.

U. S. PLYWOOD-CHAMPION PAPERS INC.

Other Credits (Charges):	(in thousands)
Interest and debt expense	$(17,058)
Miscellaneous—net	17,061

Financial Review (page 23)

Other Income Credits (Charges)— For the year 1970, there were $17,061,000 credits compared with $10,552,000 in 1969. They include the following items in thousands of dollars:

	1970	1969
Interest income	$ 2,794	$ 2,540
Income from 50% owned companies and joint ventures	2,558	2,193
Income from unconsolidated foreign subsidiaries	5,226	4,055
Minority interest in net income of Canadian subsidiaries	(80)	(1,738)
Net gain on disposal of fixed assets	1,359	1,565
Royalty, rental and commission income	1,352	1,035
Miscellaneous income— net	3,852	902
	$17,061	$10,552

CAPTIONS FOR NONOPERATING EXPENSES

ALLIS-CHALMERS MANUFACTURING COMPANY

Costs and expenses:	
Materials, plant payrolls and services	$663,002,485
Depreciation	17,906,077
Selling, general and administrative expense	147,327,816
Discount and interest on receivables sold to finance subsidiaries	23,738,261
Other interest expense	16,134,821
	$868,109,460

ARCHER DANIELS MIDLAND COMPANY

Costs and expenses:	
Costs of products sold and other operating costs	$410,152,750
Selling, general and administrative expenses	11,551,444
Interest expense	4,064,979
Loss on discontinued operations of pooled company net of taxes	208,704
Other	1,447,794
Income taxes	9,554,568
	$436,980,239

CHAMPION SPARK PLUG COMPANY

Other deductions:	
Minority interests in net earnings of subsidiaries	$ 672,156
Interest expense	2,202,603
Provision for decline in valuation of investments (note 3)	1,000,000
Amortization of goodwill and excess cost	203,464
Sundry	6,739
	$4,084,962

Note 3: "Investments and other assets"—include investments in preferred stocks and other securities of various companies, including the Company's investment in approximately 38% of the outstanding stock of Faraday, Inc. These investments, which are carried at their cost of $10,210,000 less valuation reserves of $3,570,000 (including $1,000,000 provided in 1970), had aggregate market or underlying book values of approximately $4,573,000 at December 31, 1970. In addition, a loan of Faraday in the amount of $650,000 has been guaranteed by the Company.

CLARK EQUIPMENT COMPANY

	Amounts in Thousands
Costs and expenses:	
Cost of goods sold	$530,157
Selling, general and administrative expenses	66,529
Interest paid on outside borrowings	8,190
Interest and service charges paid to finance subsidiaries (page 11)	12,939
	$617,815

Financial Review (page 11)

During 1970 Clark increased its payments to Clark Equipment Credit Corporation for services and financing provided by the credit company. This had the effect of increasing the net income of Clark Credit by $370,000 but had no effect on Clark's consolidated net income.

Interest and service charges paid to finance subsidiaries include the following:

	Amounts in Thousands	
	1970	1969
Interest on installment obligations	$ 5,224	$ 4,456
Factoring charges outside the U.S.	3,427	2,569
Service charges	4,288	3,433
	$12,939	$10,458

COPPERWELD STEEL COMPANY

Costs and expenses:	
Cost of products sold	$111,762,866
Selling, general and administrative expenses	9,665,078
Provision for depreciation	3,103,327
Interest and debt expense	1,198,101
Total	$125,729,372

HOWMET CORPORATION

Interest expense	$(6,176,000)
Provision for losses related to business with Rolls-Royce Ltd.	(2,385,000)
Other income	8,869,000

Financial Review (page 2) Consolidated Financial Statements (in part)— In July 1970, Howmet acquired the remaining 50% of the stock in Howmet Misco Ltd. (formerly Centrax-Misco Ltd.), a producer of investment castings for the United Kingdom and European markets. Results of operations of this company subsequent to the acquisition are included in Howmet's consolidated statement of income. Howmet Misco Ltd. does business with and has receivables from Rolls-Royce Ltd., which company is in the hands of a receiver. A provision for losses has been established covering all receivables and inventories related to business with Rolls-Royce Ltd.

INDIAN HEAD INC.

Other deductions:	
Interest expense—net	$6,205,000
Loss on disposal of capital assets	864,000
Other income—net	(37,000)
	$7,032,000

MIDLAND-ROSS CORPORATION

Cost and expenses:	
Cost of products sold	$200,773,055
Selling, administrative, and engineering expenses	31,515,699
Depreciation and amortization	7,250,840
Write-off of Penn Central receivables—Note H	525,865
Interest expense	3,208,357
	$243,273,816

Note H: Write-Off of Penn Central Receivables—The Company has written off 100% of its receivables due from Penn Central Transportation Company for sales prior to the bankruptcy date of June 21, 1970. This write-off resulted in a reduction of $.05 in 1970 income per share before extraordinary loss. Any recoveries thereon will be included in income as, and when received.

MOTOROLA, INC.

Manufacturing and other costs of sales	$544,873,333
Selling, service and administrative expense	165,724,699
Depreciation of plant and equipment	24,508,353
Interest and amortization of debenture expense	9,499,231
Total Costs and Other Expenses	$744,605,616

CAPITALIZATION OF INTEREST

Twenty-one companies disclosed the practice of capitalizing interest on debt; in each of the three preceding years, eight companies disclosed such a practice. Examples illustrating the capitalization of interest follow.

AIR PRODUCTS AND CHEMICALS, INC.

Statements of Consolidated Income

Costs and expenses:	
Cost of sales (excluding depreciation of $17,361,000 in 1970)	$128,826,000
Selling, distribution, administrative, research and development expenses, excluding depreciation	76,644,000
Depreciation	22,211,000
Interest expense (after deduction of $700,000 in 1970 capitalized during construction of major generating facilities)	8,963,000
	$236,644.000

CROWN CENTRAL PETROLEUM CORPORATION

Notes to Consolidated Financial Statements

Note E (in part):—Interest on debentures and the notes of September 16, 1968 was capitalized during the period of construction of the Company's new refining facilities in the amount of $1,103,000 in 1970 and $1,762,000 in 1969.

GEORGIA-PACIFIC CORPORATION

Notes to Financial Statements

Note 3 (in part):—It has been the policy of the Corporation to capitalize interest on borrowed funds during construction periods. Accordingly, the interest capitalized on projects under construction during 1970 and 1969 was $15.7 million and $10.9 million, respectively.

J. C. PENNEY COMPANY, INC.

1970 Review of Operations and Financial Information (page 24)

Interest expense was $63.4 million in 1970, compared with $50.4 million in 1969. The following table details the principal components of interest expense:

(In millions)	1970	1969
Discount on customer receivables sold to J. C. Penney Financial Corporation	$66.3	$58.1
Interest on advances from J. C. Penney Financial Corporation	16.4	9.3
Other interest, net	12.1	7.4
	94.8	74.8
Less:		
Income of J. C. Penney Financial Corporation before income taxes	29.6	24.4
Capitalized interest on construction in progress and land held for future use	1.8	–
	31.4	24.4
Total interest expense	$63.4	$50.4

QUAKER STATE OIL REFINING CORPORATION

Notes to Financial Statements

Note 4: See "Financial" for information with respect to (a) consolidation policy and equity in nonconsolidated foreign subsidiaries, (b) term debt and related restrictions, including payment of cash dividends, (c) basis of reporting net income per share of capital stock, (d) capitalized interest and (e) contractual commitments.

Financial (page 16)—Construction cost of the new Congo Refinery raised capital expenditures in 1970 to a record $11,900,000, compared with $8,200,000 in 1969. The costs of the refinery are to be financed primarily through proceeds received from the issuance of the $25 million of debentures. Interest expense incurred during the construction period, less income earned by investing the unexpended portion of the debenture proceeds, has been capitalized as a cost of construction and amounted to approximately $315,000. In 1971, the Company anticipates capital outlays to exceed $39,000,000, mainly related to the new refinery and related service facilities. At December 31, 1970 contractual commitments amounted to approximately $36,000,000.

THE STANDARD OIL COMPANY
(an Ohio Corporation)

Notes to Consolidated Financial Statements

Note E: Interest Expense—During the construction period of the trans-Alaska pipeline, interest on funds borrowed for such purposes is being capitalized, and, accordingly, interest of $2,968,000 was excluded from interest expense in 1970.

TWENTIETH CENTURY-FOX FILM CORPORATION

Notes to Financial Statemens

Note 2 (in part): Inventories—(a) Feature Film Productions: 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.

Interest incurred prior to release on debt considered as relating to feature film productions is included in production cost. For the year 1970 interest charged to production cost amounted to $2,181,000 compared with $4,060,000 in 1969.

WESTVACO CORPORATION

Notes to Financial Statements

Note D: Wickliffe Mill—In 1967 the Company entered into an agreement with the City of Wickliffe, Kentucky, to lease a new paper mill to be constructed by the City with proceeds received from its issuance of $80,000,000 of Industrial Building Revenue Bonds. Under the terms of the lease any construction costs in excess of the proceeds received are to be borne by the Company. Interest and the retirement of the principal of the bonds are to be paid from rental payments made by the Company, and the Company has an option to acquire the mill from the City beginning in 1977 for an amount equal to the remaining outstanding bonds plus $25,000. The transaction has been treated as a purchase for both accounting and tax purposes. Interest expense incurred during the construction and start-up periods, less income earned by investing the unexpended portion of the bond proceeds, has been capitalized as a cost of construction and amounted to $4,676,000 at October 31, 1970 [1969-$1,629,000]. Preoperating costs incurred at the new mill site have been deferred and at October 31, 1970, amounted to $7,030,000 [1969-$1,675,000]. The deferred preoperating costs will be amortized over a five-year period beginning in fiscal year 1971.

WEYERHAEUSER COMPANY

Notes to Financial Statements

Note 1 (in part): Principles of consolidation and general comments—Currently and for the next few years the Company is engaged in constructing additional manufacturing facilities necessary to utilize appropriately a portion of the Dierks' timber and timberlands acquired. Interest on funds borrowed to purchase such portion of the timber and timberlands is being and will continue to be capitalized until such time as the related support facilities commence operation. The amounts of interest capitalized in these and other major projects aggregated $18.3 million in 1970 and $5.7 million in 1969.

TABLE 3-8: SALARIES

Information Presented	1970	1969	1968
Salaries shown separately	63	68	68
Salaries combined with employee benefits	101	118	104
Companies presenting information as to salaries	163	186	172
Manner of Presentation			
Income statement	16	18	18
Historical summary	68	70	64
Elsewhere	79	98	90
Companies presenting information as to salaries	163	186	172

EMPLOYEE COMPENSATION

SALARIES

Table 3-8 discloses that 163 companies either showed separate dollar amounts for salaries or showed salaries combined 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.

Shown in Income Statement

GOLDBLATT BROS., INC.

Cost of goods sold and expenses exclusive of items listed below	$143,546,886
Salaries, wages and employee benefits	49,113,481
Contribution to Employees' Savings and Profit Sharing Pension Plan	54,223
Depreciation and amortization	2,030,712
Rental expense	3,608,428
Taxes, other than Federal income taxes	4,911,430
Interest and debt expense	3,236,650
	$206,501,810

LUKENS STEEL COMPANY

Costs and expenses:	
Employment costs—	
Wages and salaries	$ 43,318,000
Vacation, holiday and shift pay	5,711,000
Insurance, pensions and other benefits (Note 2)	10,604,000
Payroll taxes	1,991,000
Total employment costs	$ 61,624,000
Materials, services and other	70,517,000
Depreciation	5,310,000
Interest	647,000
Property and other taxes	1,336,000
	$139,434,000

Note 2: Pensions—The company has several pension plans covering substantially all of its employees. The total pension expense of $3,593,000 for 1970 and $3,191,000 for 1969 includes amortization of prior service cost over approximately thirty years. The company's policy is to fund the pension expense of the trusteed plans. As of December 26, 1970, the actuarially computed value of vested benefits for all plans exceeded the total of the pension funds by approximately $10,200,000.

In Historical Summary

McDONNELL DOUGLAS CORPORATION

Ten Year Consolidated Financial Summary

General Information

Expenditures for facilities .... $	73,209,260
Depreciation, including leased aircraft	43,426,489
Floor area on 31 December, gross square feet	28,871,757
Shares outstanding on 31 December ..	27,248,950
Shareholders of record on 31 December	72,772
Personnel on 31 December	92,552
Payroll	$ 1,092,184,420
Firm backlog on 31 December	$ 3,206,157,478

REYNOLDS METALS COMPANY

Ten-Year Statistical Summary

Other Statistics:

Per share of Common Stock:	
Net income	$ 2.51
Cash dividends declared	1.10
Shareowners' equity	35.84
Common shares outstanding at year end	17,024,266
Shareowners of record at year end	47,192
Total payrolls and employee benefits (000's)	$ 385,987
Average number of employees	37,300
Capital expenditures (000's)	$ 112,670
Primary aluminum production—tons	1,094,000

Elsewhere in Annual Report

ALLEGHENY LUDLUM INDUSTRIES, INC.

Corporate Organization

Total wages and salaries paid by member companies declines slightly.

The member companies of Allegheny Ludlum Industries paid total wages and salaries of $163,653,000 in 1970, compared with $167,186,000 in 1969. The combined costs of employee benefits, including pensions, group life insurance, health and medical insurance, supplementary unemployment benefits and Social Security payments for the year 1970 were as follows:

Pensions	$10,312,000
Insurance, Thrift Plan and Supplemental Unemployment Benefits	15,702,000
Social Security Taxes	7,633,000
Total	$33,647,000

Approximately 3,400 former employees are receiving payments under various pension and retirement plans of the Corporation and member companies of Allegheny Ludlum Industries.

CONTINENTAL OIL COMPANY

Conoco People

Employee Compensation and Contributions to Company Benefit Plans

(millions of dollars)	1970	1969	1968
Wages, salaries and related items	$366.4	$325.4	$298.3
Conoco's contributions to Company benefit plans:			
Thrift plans	3.8	3.3	3.1
Retirement plans	4.7	3.3	6.3
Group life and hospitalization insurance	4.6	3.6	3.2
Other employee benefits	0.7	0.7	0.5
Total wages, salaries, employee benefits and related items	$380.2	$336.3	$311.4
Employee Contributions to Company benefit plans:			
Thrift plans	$ 6.9	$ 6.1	$ 5.7
Retirement plans	3.6	4.3	4.5
Group life and hospitalization insurance	4.3	3.8	4.0
Total employee contributions	$ 14.8	$ 14.2	$ 14.2

UNION CARBIDE CORPORATION

Financial Review

Employees

The number of employees at the end of the year was as follows:

	1970	1969
Domestic Operations	57,495	60,946
International Operations	44,649	43,465
Total UCC Consolidated	102,144	104,411

The foregoing figures do not include 15,426 employees at the end of 1970, compared with 14,871 at the end of 1969, at nuclear energy installations operated by Union Carbide for the U. S. Government at Oak Ridge, Tennessee, and Paducah, Kentucky. Also excluded are 11,298 employees of 50 per cent owned overseas affiliates at the end of 1970, compared with 12,603 at the end of 1969.

Total domestic employment costs in 1970, excluding those at government-owned facilities, were $685,097,000, as opposed to $662,408,000 in 1969.

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* states in part:

> 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 accruals, 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 the information disclosed about pension plans by those companies revealing the existence of pension plans. Examples of notes disclosing pension costs and pension policies follow.

TABLE 3-9: PENSION AND RETIREMENT PLANS

Current Year Provision*	1970	1969	1968	1967
A: Normal cost and amortization of prior service cost	392	381	372	373
B: Normal cost and interest on unfunded prior service cost ...	65	67	59	55
C: Normal cost only	69	65	59	59
No reference to prior service cost ...	86	74	76	66
No provision	8	10	5	11
Number of pension plans	620	597	571	564
Additional Disclosures*				
D: Excess of vested benefits over amounts accrued or funded	155	150	142	135
E: Amount of unaccrued prior service costs	94	100	73	N/C
F: Changes in plan during year	63	61	61	51
G: Plan not fully funded	21	20	20	N/C
Number of Companies				
Disclosing pension plans	538	536	533	534
Not disclosing pension plans	62	64	67	66
Total	600	600	600	600

N/C—Not compiled.

*Refer to Company Appendix Section—A: 77, 522, 610; B: 166, 248, 506; C: 120, 393, 665; D: 36, 81, 310; E: 10, 273, 462; F: 46, 185, 278; G: 167, 327.

Pension Costs Include Amortization of Prior Service Costs

ESB INCORPORATED

Notes to Consolidated Financial Statements

Pension Plans—ESB has several pension plans covering substantially all of its employees in the United States and Canada. The company provided $3,700,000 in 1970 and $3,300,000 in 1969 for contributions to irrevocable trust funds created under such plans, which amounts included amortization of prior service costs over periods ranging from 24 to 40 years. ESB's policy is to fund the pension cost accrued. The actuarially computed value of vested benefits for the plans as of March 31, 1969 (date of latest actuarial valuation) exceeded the total of the pension fund and balance sheet accrual by approximately $26,500,000 which is being amortized and funded as outlined above. In addition, the company paid group annuity premiums and made direct payments to retired employees, aggregating less than $200,000 in each year.

Certain acquired companies have trustee administered noncontributory profit sharing retirement plans. Contributions to these plans amounted to approximately $257,000 in 1970 and $250,000 in 1969.

THE EASTERN COMPANY

Notes to Consolidated Financial Statements

Note D: Pension Plans—The Company and its subsidiaries have several pension plans in effect generally covering all employees. Pension contributions charged to operations for the fiscal years ended January 2, 1971 and December 27, 1969 aggregated $415,678 and $355,926, respectively, including as to certain of the plans, amortization of prior service cost generally over a 12-year period. The Company's policy is to fund pension cost accrued. The actuarially computed value of vested benefits for certain of the hourly pension plans of the Company as of December 31, 1969 and December 31, 1968 (dates of latest actuarial valuations) exceeded the total of the applicable pension fund and balance sheet accruals by approximately $260,000 and $300,000 as of the respective dates. Certain plans were amended during the year ended December 27, 1969 to provide, among other things, increased benefits. The amendments resulted in additional pension expense for 1969 of approximately $130,000. As of January 2, 1971 and December 27, 1969, unfunded prior service cost of the plans approximated $971,000 and $1,065,000, respectively.

KOPPERS COMPANY, INC.

Notes to Financials

Note 2: Pension Plans—The Company has pension plans covering substantially all its employees. The Company's policy is to provide for amortization of unfunded prior service costs over periods up to 40 years and to pay provisions for pension expense into trust funds.

In 1970, the assumed rate of earnings of the trust funds for all pension plans used to determine current and prior service costs was increased from 4% to 5%. Also, the plans for salaried employees and certain hourly employees were amended to increase benefits.

The total pension expense in 1970 was $4,418,000 as compared to $3,302,000 in 1969. Because of a decline in the market value of investments held by the pension trusts, no unrealized appreciation was taken into account in determining the 1970 expense whereas 1969 expense was reduced by recognition of unrealized appreciation. The resulting increase in 1970 pension expense was partially offset by $540,000 as a result of 1970 plan changes.

SQUIBB CORPORATION

Notes to Financial Statements

Note 8: Pension Plans—Substantially all employees of the Company and its domestic subsidiaries are covered under non-contributory pension plans. Pension costs for 1970 and 1969 were $6,226,000 and $5,692,000, respectively. The Company's policy is to fund pension costs accrued. Estimated unfunded vested benefits at December 31, 1970 were $14,000,000. Unfunded past service costs are being amortized over a forty year period. Certain of the pension plans were amended during the year to provide additional benefits which increased pension costs by approximately $900,000, whereas changes in actuarial cost methods reduced pension costs by $800,000.

Pension plans of foreign subsidiaries are influenced principally by social legislation of the various countries in which they operate and, therefore, are not on actuarial bases similar to United States plans.

USM CORPORATION

Notes to Consolidated Financial Statements

Note E: Pensions—The company's pension plans cover substantially all of its international and domestic employees. Charges to income for the cost of these plans amounted to approximately $8,500,000 in 1970 and $7,600,000 in 1969. Costs accrued are funded in the United States and some of the international subsidiaries. At February 28, 1970 the unaccrued past service costs, estimated at approximately $41,000,000, are being amortized over a 25-year period, except that certain international subsidiaries have adopted shorter periods.

The actuarially computed value of vested benefits, as of the fiscal 1970 valuation date, exceeded the total of the pension funds and balance sheet accruals by approximately $11,000,000, for all domestic plans except one, wherein the amounts funded and accrued exceeded the vested benefits by approximately $3,500,000.

Pension Costs Show Separate Amount for Amortization of Prior Service Costs

ELECTRIC HOSE & RUBBER COMPANY

Notes to Financial Statements

Note 4: Pension and retirement plans—The Corporation has trusteed, non-contributory, pension and retirement plans for both its salaried and hourly employees, providing benefits consistent with those generally available in the rubber industry. The total pension expense for the year was $620,000 (1969=$875,000) which included $210,000 (1969=$346,000) applicable to past service costs. Funding of past service cost is currently scheduled over 28 and 29 years.

Unfunded past service costs at August 31, 1970 are estimated at approximately $3,200,000. During fiscal 1970 changes were made in the actuarial cost method and certain actuarial assumptions used in computing the pension cost. Such changes were made principally to put Electric Hose & Rubber Company's pension funding policies on a basis consistent with the funding policies of other companies in the rubber industry. The changes had the effect of increasing net income for the year by approximately $130,000 and reducing the unfunded past service costs by approximately $3,800,000. The excess of vested benefits over pension fund assets approximates $570,000.

PENNWALT CORPORATION

Notes to Consolidated Financial Statements

Retirement Plans—The Company and certain of its consolidated subsidiaries have pension plans covering substantially all of their employees. The total pension expense, including approximately $200,000 applicable to prior service cost, was $4,108,000 in 1970 and $4,083,000 in 1969.

Changes to provisions of these pension plans resulted in approximately $500,000 more pension expense in 1970 which was offset by a reduction in pension expense due to a change in the actuarial interest rate from 4¼% to 5%. The Company's policy is to fund pension costs accrued. At December 31, 1970, the pension fund assets exceeded the actuarially computed value of vested benefits of the plans.

Pension Costs Cover Charge for Current Year—Under Union Contract

INTERSTATE BRANDS CORPORATION

Notes to Financial Statements

Note 6: Pension Plans—The Company has four trusteed non-contributory pension and retirement plans in effect for certain employees. Contributions are made to the pension trusts for current costs plus amortization of the unfunded past service liability over a period of 40 years. The excess of the actuarially computed value of vested benefits over the pension funds was approximately $700,000 as of December 26, 1970.

There are also in effect numerous negotiated pension

plans covering employees participating by reason of union contracts. The charges to operations with respect to the plans are as follows:

	December 26, 1970	December 27, 1969
Trusteed pension and retirement plans	$1,371,668	$1,239,046
Negotiated pension plans	3,067,752	2,701,665
	$4,439,420	$3,940,711

THE STANDARD OIL COMPANY
(an Ohio Corporation)
Notes to Consolidated Financial Statements

Note H: Retirement Plans—The Company and certain subsidiaries have contributory and noncontributory retirement plans covering substantially all employees except union mine employees. The policy of the companies is to fund retirement cost accrued. The total cost of these plans for the year was $6,808,000 which includes amortization of prior service costs over appropriate periods. At the date of the most recent actuarial determination, the retirement plans' assets exceeded the actuarially computed value of the vested benefits. Under contracts covering union mine employees, certain subsidiaries are required to pay amounts based on coal production to retirement and welfare funds which are not controlled or administered by the subsidiaries. The contribution to such funds was $4,670,000 in 1970.

Pensions Costs Cover Charge for Current Year—No Charge for Prior Service Costs

GRANITEVILLE COMPANY
Notes to Consolidated Financial Statements

Note 6 (in part): Employee Benefit Plans—There are in effect several noncontributory pension and profit sharing plans covering substantially all employees. The total expense of these plans for 1970 was approximately $2,150,000. Prior service costs have been fully amortized. The policy is to fund pension costs by deposits with trustees or insurance companies. Actuarial data regarding vested benefits at January 2, 1971, is not yet available; however, it is believed that pension and profit sharing fund assets and accruals in the balance sheet substantially cover, or exceed, such vested benefits. The Board of Directors has approved, subject to stockholder approval, a major revision of two of the plans to become effective January 3, 1971, and which is projected to reduce the cost of these two plans to the Company in future years.

JOHNS-MANVILLE CORPORATION
Notes to Financial Statements

Note 5:—The Company and its subsidiaries have pension plans covering substantially all of their employees. Total pension expense was $6,116,000 in 1970 and $5,649,000 in 1969. The Company's policy is to fund pension costs accrued. There is no unfunded past service cost under the plans.

PET INCORPORATED
Financial Review (page 21)

Retirement Plans—The Company maintains retirement plans (including plans assumed by the Company in the merger or acquisition of predecessor companies), which provide for retirement benefits based on service, for substantially all salaried and hourly employees. Eligibility under the plans is subject to certain conditions, such as age and service. According to their provisions, the plans are contributory or noncontributory, and may be terminated at any time, subject to negotiation as required where employees are represented by a bargaining agent. The Company is providing for the cost of these plans as benefits are accrued, based upon actuarial determinations. The Company's expense under the plans during the years ended March 31, 1969 and 1970, was approximately $2,800,000 and $2,900,000, respectively. The past service cost under these plans, in the aggregate, was substantially funded at March 31, 1970, and the fund assets exceeded the actuarially computed value of vested benefits.

SIMMONS COMPANY
Notes to Consolidated Financial Statements

Note 7:—The Company and its domestic and Canadian subsidiaries contribute to several pension plans covering substantially all employees in the United States and Canada. Pension costs are funded as accrued and amounted to $2,096,000 in 1970 and $1,639,000 in 1969, including payments under union contracts. Substantially all past service costs have been funded.

Vested Benefits Exceed Pension Fund and Accruals

CATERPILLAR TRACTOR CO.
Notes to Financial Statements

Note 8: Pension Plans—The Company and its subsidiaries have several pension plans covering substantially all employees. Total pension expense for the years 1970 and 1969 was $33.0 million and $30.5 million, respectively, which includes amortization of prior service costs over periods not to exceed 30 years. The Company's policy is to fund accrued pension costs. Based on actuarial estimates, the computed value of vested benefits exceeded the totals of the respective pension funds at December 31, 1970, by approximately $90 million.

Increases in pension plan benefits effective during 1971 will increase the cost of pensions approximately $10 million for 1971 and approximately $18 million each year thereafter.

ETHYL CORPORATION
Notes to Financial Statements

Note 10: Retirement Income Plans—The Corporation and its subsidiaries provide retirement benefits for substantially all of their employees, including certain employees in foreign countries, under several different

plans funded with insurance companies or corporate trustees. Plan contributions, based upon actuarial calculations, are irrevocably devoted to the payment of retirement and other benefits for employees. Total costs of retirement income plans for 1970 were approximately $7,000,000 which includes amortization of prior service costs generally over periods ranging up to 40 years. The policy of the Corporation and its subsidiaries is to fund pension costs accrued.

Under one of the plans, the actuarially computed value of vested benefits as of the end of the plan year, for active employees not yet retired, exceeded the total pension fund allocable to the active group. The excess amounted to $12,200,000 (an increase of $2,950,000 from 1969 resulting primarily from an increase in pension benefits and a decrease in the market value of pension fund assets), with full funding anticipated in the valuation method by the time each employee becomes eligible to retire.

Amount of Unaccrued Prior Service Cost Disclosed

GEO. A. HORMEL & COMPANY

Note to Consolidated Financial Statements

Note A: Pension Plans—The Company has several pension plans covering substantially all of its employees.The total pension expense for the year was $6,574,400 which includes amortization of prior service cost over a thirty-year period from date of inception or date of amendment of the plans. The company's policy is to fund pension cost accrued. The actuarially computed value of vested benefits for all plans as of October 31, 1970, exceeded the total of the pension funds by approximately $22,800,000. The unfunded prior service cost was estimated to be $46,900,000 at October 31, 1970.

RAYBESTOS-MANHATTAN, INC.

Notes to Financial Statements

Note D: Employees' Retirement Plan—The Company and its subsidiaries have several pension plans covering substantially all of their employees. The cost of these plans charged against income was $5,269,995 in 1970 and $4,722,051 in 1969, which includes amortization of past service costs principally over a 40-year period. On an actuarial basis and allowing for the estimated tax reduction, the unfunded past service costs amounted to approximately $28,000,000 at December 27, 1970. The companies' policy is to fund pension costs accrued. For certain plans, the actuarially computed value of vested benefits exceeded the totals of the pension funds and the balance sheet accrual by approximately $19,400,000.

WESTINGHOUSE ELECTRIC CORPORATION

Financial Review

Pension Plans—cover substantially all employes of the Corporation and the benefits under the plans are being funded by the pension trust method. Generally it is the policy of the Corporation and its subsidiaries to fund each year the amount determined to be necessary to provide benefits earned during the year and to amortize prior service liability over a period of 30 years. During 1970, changes in actuarial assumptions used in computing pension cost reduced pension expense $10.6 million. New agreements with the various unions which represent a majority of the Corporation's employes provide, among other things, for increased pension benefits. Pension expense was $31.6 million in 1970 and $20.1 million in 1969. Unfunded prior service liability at December 31, 1969 was estimated to be $224 million. With the increased pension benefits which became effective January 1, 1970, this unfunded liability at December 31, 1970 was estimated at $366 million. Approximately $146 million of this unfunded prior service liability represents unfunded vested benefits.

Various pension arrangements, which are normally supplemented by required government plans, are in effect for most foreign subsidiary companies.

No Current Costs

CHOCK FULL O'NUTS CORPORATION

Notes to Consolidated Financial Statements

Note 6: Pension Plan—The Company has noncontributory trusteed pension plans covering substantially all full-time employees who have completed three years of service. The Company funds pension costs as they accrue. Because of the availability of average actuarial gains, no charges to income for pension costs were required for fiscal 1970 and 1969. The pension plans are fully funded.

Change in Actuarial Assumptions

ARMCO STEEL CORPORATION

Note 12: Pension Plans—Armco and certain of its subsidiaries have in effect several pension plans covering substantially all of its employees. Pension costs (defined as normal cost plus interest on unfunded past service costs and, if required, an amount for vested benefits) are funded. Income for 1970 was charged with $25,101,000 as compared with $21,743,000 in 1969. During 1969 the assumed mortality rate and the interest assumption used in the actuarial computation were changed to more closely reflect current conditions. The net effect of the changes in 1969, together with increased retirement benefits resulting from amendments (effective August 1, 1969) to the plans, increased pension costs approximately $2,800,000 for that year. In 1970, the interest assumption used in the actuarial computation was increased to more closely reflect current conditions. The effect of this change, together with increased pension costs attributable to (a) the 1969 plan amendments, (b) increases in the number and wage rates of employees covered by the plan, and (c) an actuarial loss from the reduction in the market value of assets held in the pension funds, caused the increase in pension costs for 1970.

Based upon actuarial estimates, the total amount required at December 31, 1970, to provide fully for past service cost was $476,481,000. At that date the unfunded past service cost of the plans amounted to approximately $135,977,000. At January 1, 1970, the date of the latest actuarial determination, the assets of the pension funds exceeded vested benefits under the plans.

BORG-WARNER CORPORATION

Financial Review

Pensions—Most Borg-Warner employees are covered by pension plans, with their annual cost paid to various trustees. In 1970, the pension expense was $8.3 million and in 1969, $8.1 million. This expense includes both current costs and prior service costs, as determined by outside actuaries. The prior service costs generally are funded over a period of 30 years.

For some of the pension plans, the vested benefits (those not requiring future service to Borg-Warner) as computed by the actuaries as of December 31, 1970, exceeded the market value of the related pension funds and balance sheet accruals by approximately $16.3 million.

During 1970, certain assumptions used in the actuarial computation of pension costs were changed. These changes had the effect of decreasing pension expense by approximately $2.7 million, which increased 1970 net earnings by approximately $1.4 million.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Notes to Consolidated Financial Statements

Note 7: Pension Plans— The Corporation has pension plans covering substantially all employees. Pension expense for fiscal 1970 was $2,420,000 ($2,280,000 in 1969), which includes amortization of unfunded prior service costs over various periods up to forty years. During fiscal 1970, the Corporation increased the benefits under certain plans. The related increase in pension costs ($800,000) was substantially offset by decreases in such costs attributable to a revision, 5% to 6%, in the assumed earnings on invested funds for certain plans ($278,000) and a change in the actuarial cost method for those plans ($537,000), with no income tax effect.

The unfunded portion of prior years' pension accruals of $1,737,000, which is included in other non-current liabilities at June 30, 1970, is being funded ratably over forty years. Unfunded prior service costs at June 30, 1970, based on actuarial estimates, approximated $11,500,000.

THE BRISTOL BRASS CORPORATION

Notes to Consolidated Financial Statements

Note E: Pension Plans—The Company and its subsidiaries have pension plans in effect generally covering all employees. Pension contributions charged to operations for the years ended December 31, 1970 and December 31, 1969 were approximately $427,000 and $509,000, respectively, which included amortization of past service cost over a period of 30 years. The Company's policy is to fund pension cost accrued. The actuarially computed value of vested benefits, as of January 1, 1970 and January 1, 1969 (dates of latest valuations), exceeded the total of the pension funds and balance sheet accruals by approximately $1,459,000 and $2,150,000 at the respective dates. Changes in certain actuarial assumptions used by the independent actuary in computing pension costs for 1970 had the effect of increasing net income by approximately $43,000.

GRANITE CITY STEEL COMPANY

Notes to Consolidated Financial Statements

Note 6: Pensions—The company has noncontributory pension plans covering substantially all of its employees. Total pension costs representing current service costs and interest on unfunded past service liabilities were $4,241,000 in 1970 and $3,554,000 in 1969. The company's policy is to fund pension costs accrued. A change during the year in actuarial valuation factors had the effect of increasing net income for the year by approximately $168,000. At December 31, 1970 and 1969, the Granite City Steel Company Pension Trust Funds had assets valued at $27,490,000 and $28,220,000, respectively. These assets, together with amounts accrued in the accompanying Consolidated Balance Sheets were in excess of or approximately equal to the actuarially computed value of all pension benefits vested under the plans at the respective year end dates.

Plan Not Fully Funded

CITY STORES COMPANY

Notes to Financial Statements

Note 1: 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 service costs, amortization of prior service costs over thirty years and interest. The amounts charged to income were approximately $1,600,000 this year and $1,620,000 last year. 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 $9,905,000 as of January 30, 1971.

OTHER BENEFIT PLANS

Table 3-10 shows that 236 survey companies disclosed the existence of employee benefit plans other than pension plans (Table 3-9) and stock option plans (2-57).

An Accounting Interpretation on Stock Compensation Plans, appearing on page 72 of the March 1971 issue of *The Journal of Accountancy* is quoted below.

> *Question.* In recent years, the number of corporations granting stock option and stock purchase plans has increased. In addition, many corporations have adopted plans or arrangements under which employees are granted benefits, the ulti-

mate value of which will be determined by the future value of the employer corporation's capital stock but which are payable in cash or stock, often at the option of the employee without any investment by him. Such plans are sometimes referred to as "phantom" stock plans. More recently some corporations have adopted "dual" or "tandem" option plans which provide that the grantee may either (1) exercise a stock option and purchase a specified number of shares or (2) allow the option to expire and accept shares without any investment by him. When cash is paid and frequently when stock is issued under these various plans, the employer corporation obtains a tax benefit. How should a corporation account for these various types of compensation plans which are related to the value of the corporation's capital stock?

Interpretation. As stated in Chapter 13-B of ARB No. 43, stock options or rights to purchase stock issued by an employer corporation to its employees may involve compensation which requires accounting recognition as a cost. Because of the growth in stock option and stock purchase plans and the variation in these plans since the issuance of ARB No. 43, the Accounting Principles Board is taking under consideration the broad question of accounting for all stock option and stock compensation plans (including how to measure and when to record compensation) with the objective of issuing an Opinion on the subject.

In the meantime, we believe ARB No. 43 should be interpreted as requiring a corporation to recognize a compensation cost for employee benefits measured in terms of the corporation's stock, unless the employee pays an amount at least equal to the fair value of the shares at the date of grant.

In addition, when a corporation obtains a tax benefit under a plan such as those discussed above, the amount of the tax benefit allocated to income should be limited to the tax benefit related to the compensation cost recognized in income for accounting purposes. The balance of the tax benefit should be considered as related to a capital transaction. The allocation of tax within a period described here is consistent with paragraph 52 of Accounting Principles Board Opinion No. 11.

TABLE 3-10: OTHER EMPLOYEE BENEFIT PLANS

Benefit Offered by Company	1970	1969
Incentive compensation plan	106	123
Deferred compensation contract	72	41
Profit-sharing plan	66	62
Savings fund plan	29	51
Other employee benefit plans	16	51
Total	299	277
Number of Companies		
Disclosing employee benefit plans	236	224
Not disclosing employee benefit plans	364	376
Total	600	600

Incentive Compensation Plans

THE FIRESTONE TIRE & RUBBER COMPANY

Report to Stockholders (page 3)

Personnel—Wages, salaries and employee benefits amounted to $761,987,780. Included in employee benefits are pension plans covering the majority of our employees. The cost of these plans for the year was $33,306,836 including amortization of prior service cost over a period of 30 years. Pension 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 $137,500,000.

The Company provides incentive compensation for executives and other key employees who, in the opinion of the Incentive Compensation Committee, have made important contributions to the efficient and profitable operation of the Company. The amount available for this purpose is related to the Company's earnings. Part of this amount is distributed in cash and part in Common Stock of the Company purchased on the open market. Employee stock purchase plans, started in 1968, enable employees to invest in Firestone Common Stock through payroll deductions. Stock for this purpose is also obtained by purchases on the open market. Provision for incentive compensation and for the Company's participation in stock purchases by employees resulted in charges to income before tax of $4,885,000 in 1970.

GENERAL MOTORS CORPORATION

Incentive Program (page 40)

The Incentive Program consists of the General Motors Bonus Plan, first approved by stockholders in 1918, and the General Motors Stock Option Plan, adopted in 1957. The By-Laws provide that the Plans shall be presented for action at a stockholders' meeting at least once in every five years. Both Plans were last approved by stockholders at the 1967 Annual Meeting.

The Corporation maintains a reserve for purposes of the Bonus Plan and the Stock Option Plan, to which may be credited each year an amount which the independent public accountants of the Corporation determine to be 12% of the net earnings which exceed 6% but not 15% of net capital, plus 6% of the net earnings which exceed 15% of net capital, but not in excess of the amount paid out as dividends on the common stock during the year.

For 1970, net earnings did not exceed 6% on net capital (both as defined in the Bonus Plan); therefore no credit was made to the reserve for the Bonus Plan and Stock Option Plan. The unawarded balance in the reserve carried forward from 1969 amounts to $1,135,637 after deducting $1,588 representing expenses which were incurred in delivering contingent credits to employes located outside the United States, and which were charged to the reserve as directed by the Bonus and Salary Committee.

The Bonus and Salary Committee has determined that there will be no bonus awards related to the year 1970 and therefore, in accordance with the operation of the Incentive Program, no stock options will be granted in 1971 under the Stock Option Plan.

The computation of net earnings and 6% on net capital for purposes of the Bonus Plan and Stock Option Plan as determined by the independent public accountants is shown below.

Computation of net earnings for determination of credit:		
Amount reported in the Statement of Consolidated Income (page 32) which is transferred to earned surplus as shown by the Statement of Consolidated Net Income Retained for Use in the Business (page 33)		$ 609,086,848
Add amounts charged to income:		
Provision for Bonus Plan and Stock Option Plan		–
Interest and discount on 3¼% Debentures		898,683
Total		609,985,531
Deduct amounts credited to Income:		
Portions of prior years bonus awards to which bonus beneficiaries lost their rights during the year	$523,908	
Reduction in contingent credits resulting from exercise of stock options and from loss of rights under the Stock Option Plan during the year	350,661	
Net earnings (as defined in the Bonus Plan)		$ 609,110,962
Computation of net capital:		
Amounts at December 31, 1969 as shown on the Consolidated Balance Sheet, page 35:		
Total Capital Stock and Surplus		$10,227,903,640
Debt—3¼% Debentures due 1979		36,522,000
Total		10,264,425,640
Deduct proportionate allowance for net decrease during the year in capital stock, surplus and debt:		
Decrease arising from purchase of 3¼% Debentures in the principal amount of $1,000,000	$758,288	
Increase arising from sales of 12,914 shares of newly issued common stock under the provisions of the Stock Option Plan	132,060	
Net capital (as defined in the Bonus Plan)		$10,263,799,412
6% on net capital (equivalent to $2.11 per share of common stock)		$ 615,827,965
Excess of net earnings over 6% on net capital		NONE

Provisions for Bonus Plan and Stock Option Plan

There are shown below the provisions for the Bonus Plan and the Stock Option Plan before giving effect to the resulting reductions in income taxes.

1961	$ 80,976,860
1962	105,000,000
1963	112,000,000
1964	116,000,000
1965	130,000,000
1966	114,000,000
1967	107,000,000
1968	111,000,000
1969	110,000,000
1970	– –

HOUDAILLE INDUSTRIES, INC.

Notes to Financial Statements

Note D: Extra-Compensation Plan—Under the provisions of the Extra Compensation Plan for key employees, approved by the shareholders effective January 1, 1957, the maximum amount which could have been deducted from 1970 earnings for the purpose of this plan was $468,314. Of this total, the Board of Directors subsequently approved a provision of $267,250 ($201,064 less than the maximum permissible).

For the year 1970, the Compensation Committee recommended and the Board of Directors subsequently approved awards of $267,250 from the current year provision and $200,000 from the unawarded prior years provisions.

Included in the consolidated balance sheet under "Accrued payrolls, taxes, interest, etc." is $850,332 which represents the unpaid portions of the awards for the years 1966, 1967, 1968, 1969, and 1970 which are payable in cash in 1971. The remainder has been included in "Other Liabilities—Deferred Compensation Plans" which is payable in the future under the earning out provisions of the plan.

JANTZEN INC.

Notes to Financial Statements

Note 6: Employee Profit Sharing and Retirement Plans—The Company and certain of its subsidiaries have established profit sharing and contributory pension plans which provide retirement benefits.

The profit-sharing plan provides generally for annual contributions to the profit-sharing retirement trust equal to 20% of the excess of consolidated income before income taxes required to produce net income equal to 7% of stockholders' equity at the beginning of the year. For 1970, contributions to the profit-sharing retirement trust amounted to $153,500.

The 1970 contributions to the retirement trusts were $193,635. The Company's policy is to fund current service cost of the pension plans. At August 29, 1970 there was no unfunded past service liability.

The Company's incentive compensation plan provides for incentive payments to executive employees, the aggregate of which is limited to 10% of that portion of consolidated income before income taxes and profit-sharing contributions which exceeds 14% of consolidated stockholders' equity at the beginning of the year. For 1970, the provision for incentive payments amounted to $43,171.

RIEGEL PAPER CORPORATION

Notes to Consolidated Financial Statements

Note 11 (in part): Executive Incentive Compensation and Employees' Pension Plans—Under the Company's Executive Incentive Compensation Plan, annual awards may be granted to executive employees in an aggregate amount not to exceed three percent of the Company's consolidated income (as defined) for the preceding year. Awards under the Plan are distributed either im-

mediately or are credited to the employees' accounts for distribution in three or ten annual installments, from the dates certain events occur. Immediate distributions are payable in cash, and deferred distributions may be payable either in cash or in shares of the Company's common stock. The Plan is limited to the five fiscal years ending in 1973. In 1970, the Company granted $208,000 in cash distributions and $26,600 in deferred distributions applicable to the 1969 Plan year and provided $112,500 for grants to be made in 1971 applicable to the 1970 Plan year. No shares of the Company's common stock are issuable under the Plan as of January 3, 1971.

Profit Sharing Plans

ANCHOR COUPLING CO. INC.

Notes to Consolidated Financial Statements

Note 1: Profit-sharing Plan—The company provided $184,280 in 1970 and $293,284 in 1969 for contribution to the Employee's Retirement Savings and Profit-Sharing Plan. Under the Plan, the company's minimum annual contribution is 7½% of net income before income taxes, as defined, but after deduction of 10% of the company's shareholders' investment at the close of the preceding year.

THE RUCKER COMPANY

Notes to Financial Statements

Note 12: Pension and Profit Sharing Plans—The Company has several insured and trusteed pension plans. The costs of the pension plans charged to income, including past service costs which are being amortized over 20 to 30 year periods, were approximately $120,000 and $248,000 for the years 1970 and 1969, respectively.

Until December 31, 1969 the Company had several trusteed profit sharing plans. On January 1, 1970 the Company amended the profit sharing plans to include substantially all of its employees not covered by collective bargaining agreements. Under the plan, qualified employees may elect to have the Company contribute from 4% to 14% of the earnings that they would otherwise receive as current income to an "investment account." The Company contributes from 0.8% to 4.95% of the employees' earnings out of current or accumulated profits as a matching contribution. The cost of the Company's matching contribution charged to income was approximately $145,000 for the year 1970. The cost of profit sharing plans charged to income in 1969 was approximately $126,000.

WINNEBAGO INDUSTRIES, INC.

Notes to Consolidated Financial Statements

Note 4: Profit-Sharing Plan—During the year ended February 28, 1970 the Companies instituted a contributory profit-sharing plan for all eligible employees. This plan has yet to be qualified with the Internal Revenue Service.

The plan provides for contributions by the Companies in such amounts as the Board of Directors may annually determine. The Companies' contribution for the year ended February 28, 1970 was $63,900 which was charged to expense.

Deferred Compensation

FALSTAFF BREWING CORPORATION

Notes to Financial Statements

Note 8 (in part): Pension and Retirement Plans—The Corporation has agreements with two former employees and one active employee to pay them or, in the event of their death, their beneficiaries an aggregate amount of $49,167 a year, for ten years certain, commencing at the date of their retirement or death, whichever may be the earlier. The payments to the two former employees are being expensed as the payments are made. The total amount to be paid with respect to the active employee, upon his retirement or death, is being accrued over a ten-year period from the date of the agreement.

SIGNODE CORPORATION

Notes to Consolidated Financial Statements

Note 3: Profit Sharing—The parent company has a deferred profit sharing plan for employees upon retirement or for other purposes under which the company contributes a portion of its earnings annually and employees who participate may contribute up to 4% of their earnings. The company's contribution is the lesser of (a) a sum equal to 30% of the parent company's net after tax earnings, as defined, or (b) four times the contributions made by the employees. The company's contribution for fiscal 1970 was $2,677,000. Certain domestic and foreign subsidiaries also have profit sharing plans and their contributions for fiscal 1970 under these plans were $450,000. These contributions, totaling $3,127,000, are deductible for income tax purposes on a current basis.

Other

ARMCO STEEL CORPORATION

Note 4 (in part): Common Stock—Under the terms of the Thrift Plan for Salaried Employees, 468,350 shares of the company's common stock were purchased during the year by the trustee. Thrift Plan shares are allocated to participating employees and are held in trust by the trustee. Armco's contribution to this plan amounted to $2,967,000 in 1970 and $2,821,000 in 1969. Such contribution represented 50 cents for each dollar invested by the participants.

BARTON BRANDS, INC.

Notes to Financial Statements

Note 6: Salaried Employees Trust—The Company has a non-contributory trust for salaried employees, to which contributions from earnings are made in such amounts as are determined by the Company each year. For the year ended June 30, 1970, the contribution to this trust amounted to $174,195 of which $20,000 is payable in shares of the Company's common stock from its treasury (valued at market on the date the stock is transferred) and $154,195 in cash.

MEREDITH CORPORATION

Notes to Financial Statemens

Note 11 (in part): Common Stock—Under the Company's Savings and Investment Plan, 24,340 shares of common stock were issued during the year at market prices totaling $870,443. The Plan enables eligible employees to acquire stock with the Company matching employee contributions up to 5 per cent of their salary. The cost to the Company for the year was approximately $388,000 ($306,000 in 1969). A total of 160,000 shares has been reserved for the Plan, and 69,685 shares had been issued by June 30, 1970.

The Company's Management Incentive Plan provides for awards payable either in cash or in deferred awards of shares of common stock. A total of 15,000 shares has been reserved for this Plan, of which 742 shares were issued during the year resulting in a total of 973 shares issued through June 30, 1970. Approximately 1,150 shares will be issued at future dates in payment of existing unpaid deferred awards. The Plan's cost for the current year was approximately $316,000 ($348,000 in 1969).

TABLE 3-11: DEPRECIATION EXPENSE

Manner of Disclosure*	1970	1969	1968	1960
Shown in Income Statement:				
A: As separate caption	264	270	273	326
B: As parenthetical matter within statement	42	41	44	57
C: As note at foot of statement	36	40	49	107
Not Shown in Income Statement:				
D: Disclosed in notes to financial statements	148	160	137	89
E: Disclosed in statement of changes in financial position only	106	79	90	9
Shown only elsewhere in report	--	2	1	9
Number of Companies				
Disclosing depreciation	596	592	594	588
Not disclosing depreciation	4	8	6	12
	600	600	600	600
Description of Provision				
Depreciation	302	300	301	
Depreciation and amortization	181	170	184	
Depreciation and depletion	52	51	56	
Depreciation, depletion, and amortization	41	39	36	
Other descriptions	20	32	17	
	596	592	594	

*Refer to Company Appendix Section—A: 13, 437, 450, 569, 655; B: 293, 424, 642, 698, 699; C: 157, 304, 468, 714; D: 75, 100, 177, 299; E: 311, 372, 543, 566, 659.

DEPRECIATION EXPENSE

Paragraph 5 of *Opinion No. 12—Omnibus Opinion—1967* 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

ACME MARKETS, INC.

Cost of sales and operating expenses:

Cost of merchandise sold, including warehousing and transportation expenses	$1,316,446,467
Wages, rents, advertising, administrative and other operating expenses	289,482,182
Depreciation and amortization	16,749,687
	$1,622,678,336

ALPHA PORTLAND CEMENT COMPANY

Costs and Expenses:	
Cost of sales (other than depreciation and depletion)	$22,345,326
Construction contracts	35,357,663
Freight on shipments	6,661,206
Depreciation and depletion	3,724,862
Selling, general and administrative	5,458,070
Interest	1,947,173
Total costs and expenses	$75,494,300

ATLANTIC RICHFIELD COMPANY

Expenses:	
Costs and operating expenses	$1,859,330,000
Selling, delivery, general and administrative expenses	308,124,000
Taxes other than income taxes	592,716,000
Depreciation, depletion, amortization and retirements	232,640,000
Interest	51,933,000
	$3,044,743,000

BUCYRUS-ERIE COMPANY

Costs and Expenses:	
Cost of products sold, product development,selling and administrative expenses	$126,328,799
Depreciation of plant and equipment	2,838,837
Employees' retirement and pension costs	2,742,057
Interest expense	1,137,123
Federal and state income taxes	8,720,000
	$141,766,816

NATIONAL LEAD COMPANY

Costs and expenses:	
Cost of goods sold	$680,918,000
Depreciation, depletion and amortization	25,319,000
Selling, general and administrative	140,756,000
Interest	10,684,000
Minority interest	290,000
	$857,967,000

Set Forth in Note Within Income Statement

DOYLE DANE BERNBACH INC.

Operating Expenses:	
Salaries and other employee benefits	$25,883,026
Office and general expenses including depreciation and amortization of $745,094 in 1970 and $583,919 in 1969	8,496,106
Total Operating Expenses	$34,379,132

MIRRO ALUMINUM COMPANY

Gross profit on sales	$18,097,970
Selling, shipping and administrative expenses	12,038,401
Income from operations, after deducting provisions for depreciation of $1,717,963 in 1970 and $1,685,523 in 1969 provided on the straight-line method	$ 6,059,569

THE WURLITZER COMPANY

Costs and Expenses (includes depreciation and amortization computed generally on straight-line basis—1970, $1,016,000; 1959, $914,000):	
Cost of products sold	$38,953,952
Selling, administrative, and research and development expenses	16,425,031
Interest	1,900,851
Contribution to employee savings and profit sharing plan	102,767
Total	$57,382,601

Presented at Foot of Income Statement

BURLINGTON INDUSTRIES, INC.

(All amounts in thousands, except per share data)	
Net sales	$1,821,539
Cost of sales	1,512,951
Selling, administrative and general expenses	138,599
Interest charges	24,411
Total costs and expenses	1,675,961
Other income—net	5,705
Earnings, before taxes based on income and minority interests	151,283
Provision for Federal and other taxes based on income	
Current	83,231
Deferred	(4,483)
	78,748
	72,535
Net earnings of subsidiary companies applicable to minority interests	1,112
Net earnings	71,423
Retained earnings at beginning of period	509,929
	581,352
Deduct cash dividends on common stock	36,632
Retained earnings at end of period	$ 544,720
Average shares outstanding during the period	26,170
Net earnings per share:	
Primary	$2.73
Fully diluted (basis described in financial review)	2.65
Cash dividends per share	1.40
Depreciation and amortization (principally accelerated methods) included in above costs and expenses	$ 77,953

HEWLETT-PACKARD COMPANY

(Thousands of dollars)	
Sales, net	$347,322
Cost of goods sold	161,478
Gross profit on sales	185,844
Research and development expense	37,212
Selling expense	61,416
Administrative and general expense	45,667
Total expense	144,295
Net profit from operations	41,549
Other income, net	4,204
Net income before provision for taxes on income	45,753
Provision for federal and foreign taxes on income	22,650
Net income	$23,103
Net income per share	$ .90

Costs and expenses above include depreciation and amortization 1970— $13,708; 1969— $11,073.

PALL CORPORATION

Net sales	$26,715,568
Cost of sales	17,623,098
Gross profit on sales	9,092,470
Selling, general and administrative expenses	8,660,898
Earnings from operations	431,572
Miscellaneous income	22,203
Earnings before provision for federal and state income taxes	453,775
Provision for federal and state income taxes	224,874
Earnings before extraordinary item	228,901
Extraordinary item— (loss)	(112,478)
Earnings	$ 116,423
Earnings per share*:	
Earnings before extraordinary item	$ 0.21
Extraordinary item— (loss)	(0.10)
Earnings	$ 0.11

Depreciation and amortization charges included in Cost of sales and Selling, general and administrative expenses amounted to $950,998 and $926,760 for the years ended July 31, 1970 and 1969, respectively.

Disclosed in Notes to Financial Statements

MARTIN MARIETTA CORPORATION

Financial Review (page 23)

Depreciation, Depletion and Amortization—Charges for depreciation, depletion and amortization were $43,577,000 for 1970, compared with $40,407,000 for 1969.

For accounting purposes, the Cement and Lime, Chemical, and Rock Products divisions generally employ the straight-line method for computing depreciation for substantially all of their assets, while Aerospace divisions generally utilize accelerated methods. Aluminum operations use straight-line and declining balance methods.

For tax purposes, Martin Marietta and its subsidiaries generally use accelerated methods for computing depreciation and provide for deferred income taxes on the additional tax depreciation deduction.

Service lives for each class of property, plant, and equipment are generally the same for accounting and tax depreciation computations and are deemed to be appropriate to allocate the cost of the respective assets over their estimated useful lives.

EASTMAN KODAK COMPANY

Notes to Financial Statements

Properties and Accumulated Depreciation

	United States	Other Countries	Total 1970	Total 1969
Properties (in thousands)				
Balance at beginning of year	$1,828,151	$454,202	$2,282,353	$2,035,438
Additions	234,567	76,171	310,738	282,054
Deductions	(25,179)	(8,498)	(33,677)	(35,139)
Balance at end of year	$2,037,539	$521,875	$2,559,414	$2,282,353
Made up of:				
Land	$ 38,567	$ 20,808	$ 59,375	$ 54,243
Buildings and building equipment	586,170	196,064	782,234	679,956
Machinery and equipment	1,317,680	269,704	1,587,384	1,448,239
Construction in progress	95,122	35,299	130,421	99,915
Totals as above	$2,037,539	$521,875	$2,559,414	$2,282,353
Accumulated Depreciation (in thousands)				
Balance at beginning of year	$872,542	$183,816	$1,056,358	$ 951,721
Provision for depreciation	115,221	28,718	143,939	131,010
Deductions	(19,900)	(6,065)	(25,965)	(26,373)
Balance at end of year	$967,863	$206,469	$1,174,332	$1,056,358

Depreciation is calculated on the basis of the cost of the assets and generally on their estimated useful lives. The provision for depreciation of assets in the United States is calculated by the straight-line method for assets acquired prior to 1954 and generally by the sum-of-the-years-digits method for assets acquired after December 31, 1953. The provision for depreciation of assets outside the United States is calculated generally by the straight-line method.

GENERAL PLYWOOD CORPORATION

Notes to Financial Statements

Note 3:—Depreciation and amortization charged to income was $367,497 in 1970 and $355,907 in 1969,

principally computed on the straight-line method. Such amounts include amortization of patent costs of $118,355 in 1970 and $111,048 in 1969.

Shown Only in Statement of Changes in Financial Position

COLLINS RADIO COMPANY

Source of Funds:	
Net income for the year	$432,000
Add charges to income which did not require current cash outlay:	
Depreciation and amortization of plant and equipment	12,592,000
Amortization of new product design	426,000
Deferral of income taxes	12,235,000
Funds provided from operations	$25,685,000

GENERAL BOX COMPANY

Source of working capital:	
Operations—	
Net income	$230,742
Charges (credit) to net income not involving working capital:	
Depreciation computed under the straight line method	810,019
Amortization of timber cutting rights	42,637
Deferred income taxes, long-term portion	(120,000)
Total from operations	$963,398

JOSLYN MFG. AND SUPPLY CO.

Funds were Provided from the Following Sources:	
Net income	$3,661,481
Depreciation charged to income (note)	2,851,161
Decrease in prepaid expenses and other assets	301,203
Increase in deferred income taxes	235,923
Total funds provided	$7,049,768

Note:—Depreciation of plant and equipment provided in the financial statements is computed principally on the double declining-balance method except that starting in 1969 certain additions at the Stainless Steels Division were depreciated using the straight-line method and starting in 1970, the balance of assets at the Stainless Steels Division were depreciated using the straight-line method. The effect of these changes was to increase net income after income taxes for 1969 over 1968 by approximately $215,000 ($.09 per share) and for 1970 over 1969 by approximately $105,000 ($.04 per share).

TABLE 3-12: DEPRECIATION AND DEPLETION POLICY

Method Used	1970	1969	1968
Straight-line	531	534	451
Declining balance	74	90	77
Sum-of-the-years digits	53	56	50
Accelerated method—not specified	75	78	80
Unit of production	40	46	36
Other methods	3	10	36
Depletion method described	40	43	29
Total	816	857	723
Number of Companies			
Disclosing policy	574	571	503
Not disclosing policy	26	29	97
Total	600	600	600

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

TABLE 3-13: DEPRECIATION REPORTED FOR TAX RETURNS

Tax Provision Agrees with Statement Provision*	1970	1969	1968
A: Method not indicated	57	86	89
B: Accelerated method	39	23	35
C: Straight-line	24	16	14
	120	125	138
Tax Provision Differs from Statement Provision*			
D: Method not indicated	235	246	203
E: Accelerated method used for tax purposes	256	233	221
F: Other	7	14	6
	498	493	430
Total	618	618	568
Number of Companies			
Indicating whether statement or tax policy correspond	582	590	545
No indication	18	10	55
Total	600	600	600
Number of companies disclosing tax basis for depletion	9	6	12

*Refer to Company Appendix Section—A: 46, 71, 135; B: 126, 555, 600; C: 65, 505, 672, 724; D: 6, 7, 81; E: 15, 141, 198, 333; F: 5, 61, 150, 321.

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 statement 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 are shown below and in the "Property, plant and equipment" segment of Section 2.

Straight-line Depreciation

CENTRAL SOYA COMPANY, INC.

Notes to Consolidated Financial Statements

Note 3: Property, plant and equipment—Property plant and equipment consisted of:

	1970	1969
Buildings and storage facilities	$41,714,444	$39,722,736
Machinery and equipment	82,398,323	75,539,912
Construction in progress	3,202,409	3,009,235
Depreciable property, plant and equipment	127,315,176	118,271,883
Less accumulated depreciation	65,537,342	60,164,371
	61,777,834	58,107,512
Land	2,349,700	2,174,841
Net property, plant and equipment	$64,127,534	$60,282,353

Depreciation, which for financial statement purposes is generally provided by the straight line method, amounted to $6,435,556 in 1970 and $6,242,931 in 1969.

EMHART CORPORATION

Notes to Financial Statements

Plant and Equipment—

The cost of major classes of plant and equipment are as follows:

	1970	1969
Buildings	$ 36,878,000	$ 38,220,000
Machinery and Equipment	63,056,000	65,163,000
Leasehold Improvements	1,352,000	1,327,000
Total	$101,286,000	$104,710,000

Generally, depreciation is computed on the straight line method for buildings at rates from 2% to 12½%, and on the straight line and declining balance methods for machinery and equipment at rates from 4% to 50%. Leasehold improvements are depreciated over the lesser of the lease or useful lives. The depreciation provided in the statement of consolidated income and retained earnings is summarized as follows:

	1970	1969
Continuing operations	$4,952,000	$4,262,000
Discontinued operations	139,000	335,000
Total	$5,091,000	$4,597,000

P. R. MALLORY & CO. INC.

Notes to Financial Statements

Property, plant and equipment at December 31, 1970 and December 31, 1969 comprised:

	1970	1969
Land	$ 1,504,272	$ 1,504,879
Buildings and improvements	22,481,852	21,219,884
Machinery and equipment	34,222,937	29,228,375
Construction in progress	744,092	690,476
	58,953,153	52,643,614
Less accumulated depreciation and amortization	24,610,966	20,563,426
Net property, plant and equipment	$34,342,187	$32,080,188

Depreciation is generally provided on a straight-line basis for buildings and improvements and on the sum-of-the-years digits method for machinery and equipment. Depreciation and amortization amounted to $4,564,432 and $4,110,832 in 1970 and 1969, respectively.

THE PILLSBURY COMPANY

Notes to Consolidated Financial Statements

Note 4: Property, Plant and Equipment— Other—

	May 31, 1970	May 31, 1969
Buildings, at cost	$ 65,923,241	$ 60,279,599
Machinery and equipment, at cost	137,246,028	125,418,245
	203,169,269	185,697,844
Less accumulated depreciation	(108,785,696)	(104,646,359)
	94,383,573	81,051,485
Land, at cost	5,447,988	4,950,823
	$ 99,831,561	$ 86,002,308

The cost of buildings, machinery and equipment is being depreciated over the estimated useful lives of the assets. During the year ended May 31, 1970, substantially all the assets were depreciated using the straight-line method, except approximately 27% of machinery and equipment which was depreciated using the double-declining balance method, compared to 28% for the previous year. All machinery and equipment purchased after May 31, 1969 is being depreciated using the straight-line method. Operations have been charged with depreciation of $13,476,402 for the year ended May 31, 1970 and $14,170,010 for the year ended May 31, 1969.

WM. WRIGLEY JR. COMPANY

Notes to Consolidated Financial Statements

Note 1:—The Company and its wholly-owned associated companies use various methods (both straight line and accelerated as appropriate in the circumstances) for providing depreciation. In 1970 depreciation provided by the straight line method amounted to $1,937,000 ($1,850,000 in 1969), while depreciation provided by accelerated methods amounted to $2,791,000 ($2,381,000 in 1969).

Declining-Balance Depreciation

DENNISON MANUFACTURING COMPANY

Notes to Consolidated Financial Statements

Note C: Depreciation Policies—The Company and its subsidiaries have provided for depreciation of property, plant and equipment principally by use of the double-declining balance method; the straight-line method is used for certain classes of assets. These methods have been employed in a manner that is intended to extinguish the cost of assets over their estimated useful lives. Provisions for depreciation amounted to $6,738,000 in 1970 and $6,966,000 in 1969.

O'SULLIVAN CORPORATION

Notes to Financial Statements

Note 2:—Provisions for depreciation of property, plant and equipment are computed principally on the declining balance method for both book and income tax purposes. Depreciation expense amounted to $431,251 for 1970 and $474,731 for 1969.

THE TIMKEN COMPANY

Notes to Financial Statements

Note C:—Provisions for depreciation of plant and equipment, computed principally on the double declining-balance method, amounted to $17,056,804 for 1970 and $15,698,748 for 1969. The United States tax credit for investment in certain depreciable property (approximately $233.000 in 1970 and $1,300,000 in 1969) has been applied to reduce the provision for income taxes in the respective years. Deferred federal income taxes have been provided in recognition of differences between depreciation for financial reporting and federal income tax purposes.

Sum-of-the-Years-Digits Depreciation

ANHEUSER-BUSCH, INCORPORATED

Notes to Consolidated Financial Statements

Note 5: Depreciation—The provision for depreciation amounted to $33,795,000 in 1970 and $30,063,000 in 1969. 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.

THE BOEING COMPANY

Note 4 (in part): Operating Charges—The following charges were incurred in the years ended December 31:

	1970	1969
Depreciation and amortization of plant and equipment (principally sum-of-the-years-digits method)	$98,372,000	$105,325,000
Depreciation of leased aircraft (sum-of-the-years-digits method)	14,523,000	16,901,000

MONSANTO COMPANY

Financial Review (page 16)

Depreciation, Obsolescence, Depletion—Charges against 1970 income for depreciation, obsolescence and depletion totaled $186,392,000, of which $182,376,000 was depreciation and obsolescence, and $4,016,000 depletion. In 1969, such charges were $159,969,000 and $3,756,000. The increase of $22,667,000 in depreciation and obsolescence in 1970 over 1969 includes obsolescence of approximately $16,000,000 attributable to NTA facilities and discontinuance of certain product lines referred to under "Extraordinary Items—Net."

The use of the sum of the years digits method by the Company for computing depreciation on most new assets acquired since 1954 was continued in 1970. The excess of depreciation provided by this method over straight line depreciation was $17,366,000 in 1970 and $17,817,000 in 1969. 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.

J. P. STEVENS & CO., INC.

Depreciation charges amounted to $31,831,000 for 1970 and $31,523,000 for 1969. (Shown at bottom of *Consolidated Statement of Income and Accumulated Earnings*)

Notes to Financial Statements.

Note B: Fixed Assets—Property, plant and equipment consist of the following:

	1970	1969
Land	$ 3,860,000	$ 3,978,000
Buildings	165,448,000	156,895,000
Machinery, equipment, furniture and fixtures, etc.	346,808,000	336,771,000
Leasehold improvements	2,920,000	2,667,000
Construction in progress	6,142,000	5,624,000
	$525,178,000	$505,935,000

The Company and its subsidiaries provide for depreciation principally by the sum-of-the-years'- digits method, based on the estimated lives of the assets.

Units of Production

HERCULES INC.

Consolidated Statement of Income

	(in thousands of dollars)
Profit from Operations	$105,220

(After depreciation and amortization: 1970—$53,583,000; 1969—$51,329,000)

Notes to Financial Statements

Note 2: Depreciation and Amortization Policy—For financial accounting purposes Hercules depreciates the major portion of its processing facilities over their esti-

mated useful lives on the units-of-production method. Estimates of useful lives and production during such lives are reviewed annually. The remaining facilities of Hercules and the facilities of the consolidated subsidiaries are depreciated or amortized principally on the straight-line method.

APCO OIL CORPORATION

Costs and expenses:

	1970
Cost of sales and operations	$ 75,506,560
Selling and general expenses	12,353,685
Gross production and ad valorem taxes	859,377
Interest and debt expense	3,625,908
Depreciation, depletion and amortization	9,009,137
Exploration expense	1,416,861
Provision for income taxes	646,150
	$103,417,678

Notes to Consolidated 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, 1970, is as follows:

	Total investment	Net investment
Petroleum and minerals	$49,075,965	$36,302,595
Refining	9,328,077	4,390,148
Transportation	2,329,349	954,294
Marketing	23,620,461	17,994,358
Miscellaneous	2,671,233	1,594,088
	$87,025,085	$61,235,483

Depletion and amortization 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 allowance for salvage values.

The straight line depreciation rates used on various properties are (a) refining, 6⅔%; (b) transportation, 3½%-12%; (c) marketing, 5%-20%; and (d) miscellaneous, 10%-33⅓%.

Included in the net investment of $36,302,595 in petroleum and minerals is $23,823,971 which represents the net investment in countries other than the United States.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Source of Working Capital

From operations—	
Net earnings (loss)	$ 4,503,000
Depletion	1,475,000
Depreciation (Notes 1 and 3)	16,003,000
Deferred income taxes	950,000
Other credits not affecting working capital	(304,000)
	$22,627,900

Note 1 (in part): Basis of presentation—During fiscal 1970, the Corporation changed from straight-line to the unit-of-production method of depreciation for certain facilities and equipment of a Canadian subsidiary. This change increased fiscal 1970 net earnings by approximately $800,000.

Note 3 (in part): Income taxes and depreciation— Deferred income taxes have been provided principally in recognition of the excess of accelerated depreciation and amortization claimed for tax purposes over that provided for book purposes. Depreciation is provided for book purposes on the straight-line method and, commencing in fiscal 1970, on the unit-of-production method for certain facilities (see Note 1). Depletion of mineral deposits is based on amortizing costs over the estimated tonnage of recoverable products. In fiscal 1970, the Corporation extended the useful lives of certain depreciable assets associated with its phosphate operations, which resulted in an increase in net earnings for the year of $1,100,000.

STANDARD OIL COMPANY OF CALIFORNIA

Consolidated Statement of Income

Costs and Other Deductions:	
Costs of products sold and other operating expenses	$2,989,904,000
Depreciation, depletion and amortization	325,442,000
Taxes	1,270,612,000
Interest and debt expense	45,815,000
	$4,631,773,000

Notes to Financial Statements

Properties, Plant and Equipment—Exploration expenditures resulting in the acquisition or retention of properties are capitalized, while the remainder is charged to operating expenses. Costs of wells capable of commercial production are capitalized and costs of unproductive wells are charged to operating expenses.

Depreciation, depletion and amortization of producing oil and gas properties are provided for on a unit of production method based on the estimated recoverable oil and gas reserves. Costs of undeveloped leaseholds are amortized at rates based upon past experience. Depreciation and amortization of other plant and equipment is provided over the estimated useful lives of the properties. In general, the declining balance method is used by companies in countries other than Europe and the straight-line method is used by companies in Europe and foreign companies owning marine equipment.

Other Depreciation Methods

AIR PRODUCTS AND CHEMICALS, INC.

Costs and Expenses:	
Cost of sales (excluding depreciation of $17,361,000 in 1970 and $14,358,000 in 1969)	$128,826,000
Selling, distribution, administrative, research and development expenses, excluding depreciation	76,644,000
Depreciation (Note 2)	22,211,000
Interest expense (after deduction of $700,000 in 1970 and $499,000 in 1969 capitalized during construction of major generating facilities)	8,963,000
	$236,644,000

Note 2: Taxes and Depreciation (in part)—For book purposes, annual depreciation is provided over the estimated useful lives of the applicable assets using principally the straight line method. The sinking fund method is used for certain pledged generating facilities which earn guaranteed revenue in excess of expenses, including interest and depreciation. 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.

MAULE INDUSTRIES, INC.

Costs and Expenses:	
Cost of materials, production labor and expenses	$24,379,997
Selling, general and administrative	3,524,931
Depreciation and depletion	3,039,107
Interest	1,907,961
	$32,851,996

Notes to Consolidated Financial Statements

Note 4: Property, Plant and Equipment and Depreciation and Maintenance Policies—Depletion charged to operations is computed on a yardage basis at rates designed to recover cost of the respective quarry properties over their productive lives. Rates vary by quarry, depending upon the cost and anticipated rock reserves.

In general, depreciation is computed on the straight line method of depreciation. The expected useful lives vary greatly for each type of property and range as follows:

Land and improvements	7-40 years
Buildings	10-30 years
Cement plant	20 years
Machinery and equipment	5-20 years
Autos and trucks	3-8 years
Furniture and fixtures	4-10 years

Maintenance and repairs are charged to expense as incurred. Major renewals and betterments are charged as additions to property, plant and equipment. Upon the retirement or sale of fixed asset items, the accounts are relieved of the gross book amounts and accumulated depreciation, and the resulting gains or losses are credited or charged to income.

Construction in process at December 31, 1969 includes approximately $16,260,000 expended on the construction of the new cement plant. This plant and related facilities were completed and in production during the early part of 1970. Interest aggregating approximately $1,402,000 on funds used during construction has been capitalized.

Depletion

CROWN CENTRAL PETROLEUM CORPORATION

Costs and Expenses:	
Costs and operating expenses	$149,753,936
Selling and administrative expenses	11,815,382
Depreciation (Note C)	3,566,272
Depletion (Note C)	127,985
Employees' Pension Trust, Savings Plan and security expense	764,843
Interest, principally on long-term debt	2,464,634
Abandonments and sales of property, plant and equipment—net (Note C)	947,754
Bad debts	103,774
	$169,544,580

Notes to Consolidated Financial Statements

Note C:—Depreciation of applicable properties is provided on the straight-line method over their estimated useful lives. Depletion of oil and gas properties is based on estimated future production which will exhaust their costs under the unit of production method. Accelerated depreciation methods for certain assets are used for income tax purposes and related deferred income taxes have been provided. Certain old units in the refinery which are no longer in use have been treated as abandonments for accounting purposes and a related deferred tax reduction has been provided.

NATIONAL GYPSUM COMPANY

Notes to Financial Statements

Depreciation, Depletion and Investment Credit—The Company provides for depreciation of plant and equipment on the straight-line method over estimated useful lives. Depletion of mineral deposits is provided for at rates per ton extracted, based on cost of individual deposits divided by estimated recoverable tonnage. Total depreciation and depletion included in costs and expenses amounted to $18,779,000 in 1970 and $18,154,000 in 1969.

Investment credit flow through amounted to $159,000 in 1970 and $1,315,000 in 1969.

PHELPS DODGE CORPORATION

Costs and expenses exclusive of items shown below	$555,266,848
Selling and general administrative expenses	32,003,612
Depreciation, depletion and amortization (Note B)	24,186,135
Interest expense	8,062,040
Provision for taxes on income:	
Current, net of investment credit of $2,000,000	58,600,000
Deferred	5,000,000
	$683,118,635

Note B (in part): Property, plant and equipment—The charge 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 charge 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.

POTLATCH FORESTS, INC.

Notes to Consolidated Financial Statements

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.

	1970	1969
Timber and timberlands	$37,777,963	$41,175,263
Related logging facilities	3,252,411	2,920,993
	$41,030,374	$44,096,256

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 primarily upon estimated recoverable timber made accessible by the facilities. Depletion and amortization charged to income in 1970 amounted to $2,049,091 ($2,366,712 in 1969) and $1,608,239 ($2,172,983 in 1969), respectively.

Depreciation Period Disclosed

BURROUGHS CORPORATION

Notes to Financial Statements

Note 8: Depreciation—Depreciation charged to operations amounted to $81,164,444 in 1970 and $63,811,735 in 1969.

In general the Company's policy is to depreciate and amortize property, plant and equipment over the estimated lives of such assets using the straight-line method of depreciation, except for tools, dies and fixtures which are being depreciated by the declining-balance method.

The rates used to depreciate properties, summarized by principal classifications, are:

	Rate per Annum (%)
Buildings	2–5
Machinery and equipment	5–25
Tools, dies and fixtures	10–33⅓
Rental equipment	25

BOWNE & CO., INC.

Expenses:	
Cost of sales	$12,769,624
Selling and administrative	6,161,557
Depreciation and amortization	646,457
Pension and profit-sharing contributions	422,648
Minority interest in loss of subsidiary	(29,970)
	$19,970,316

Notes to Consolidated Financial Statements

Note 2: Real estate, equipment and leasehold improvements—Depreciation has been provided on the double declining balance and straight-line methods at rates calculated to provide for the retirement of property and leasehold improvements at the end of their useful lives. The lives generally used are:

Building	20 years
Machinery and plant equipment	8-12½ years
Furniture and fixtures	10-12½ years
Automobiles	3-4 years
Leasehold improvements	Term of leases

GRANGER ASSOCIATES

Notes to Financial Statements

Note 2: Plant and Equipment—Plant and equipment are stated at cost. Depreciation is based on the following estimated useful lives:

Buildings	50 years
Leasehold improvements	Useful life or lease-term, whichever is shorter
Electronic test equipment	3 to 10 years
Machinery and shop equipment	3 to 10 years
Furniture and office equipment	5 to 10 years
Tooling and dies	3 to 4 years

Depreciation is calculated by the straight-line method for buildings and building improvements, certain tooling, and certain equipment acquired prior to July, 1962. All other depreciation is calculated by the declining balance method or the sum-of-the-years'- digits method.

The provision for depreciation of plant and equipment amounted to $333,396 and $338,643 respectively for the years ended August 31, 1970 and 1969.

ASG INDUSTRIES, INC.

Notes to Consolidated Financial Statements

Note 8: 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)
Buildings and Improvements	45
Furnaces, machinery and equipment	20
Furnace linings	5
Furniture, office and other equipment	5-10

Depreciation expense for 1970 and 1969 amounted to $3,681,293 and $3,729,971 (see Note 9).

MSL INDUSTRIES, INC.

Notes to Consolidated Financial Statements

Note 11: Depreciation and Amortization—Depreciation is recorded for financial statement purposes principally on a straight-line method over the estimated useful lives of fixed assets, based on the following annual rates:

Building & Building Improvements	2%-10%
Machinery & Equipment	5%-33⅓%
Furniture and Fixtures	6%-25%
Automotive Equipment	10%-50%
Leasehold Improvements	Terms of Lease

Depreciation and amortization charged to income was $3,174,000 in 1970 and $3,642,000 in 1969.

Maintenance and repair costs are charged to expense when incurred; renewals and betterments are capitalized. The cost of property retired or otherwise disposed of is removed from the property and equipment accounts, accumulated depreciation is removed from the related reserves, and the net gain or loss is credited or charged to income.

Tax Depreciation Differs from Depreciation Expense Shown in Financial Statements

COLONIAL STORES INCORPORATED

Notes to Consolidated Financial Statements

Note 3: Federal Income Taxes—The components of Federal income tax expense for 1970 and 1969 are as follows:

	1970	1969
Current (net of investment credit: 1970, $24,060; 1969, $232,614)	$7,172,002	6,644,816
Tax surcharge	180,000	688,000
Deferred	203,500	92,500
Amortization of investment credit	(55,502)	(55,316)
Total Federal income taxes	$7,500,000	7,370,000

Depreciation charges against earnings (1970, $6,785,011; 1969, $6,213,820) have been computed by the straight-line method, whereas for income tax purposes, depreciation on certain buildings, fixtures and equipment and transportation equipment has been computed by accelerated methods. Deferred income taxes arise as a result of claiming depreciation for income tax purposes in excess of that taken in the accounts and from certain other timing differences.

The investment tax credits for years ended after 1963 have been taken directly into income as a reduction of Federal income tax expense. In prior years, such credits were deferred and are being amortized over the estimated useful lives of the qualified assets; the unamortized portion ($87,692) is combined with deferred Federal income taxes in the accompanying consolidated balance sheet.

An examination of the Federal income tax returns for 1968 and 1969 was completed by the Internal Revenue Service during 1970. The examination resulted in an additional assessment, including interest, of $329,683. The additional tax resulted principally from capitalization of certain items previously expensed by the company and certain other timing differences.

CROWN ZELLERBACH

Notes to Financial Statements

Properties, Depreciation, Depletion and Taxes—Premises at various locations are leased under long-term agreements with expirations ranging from 1973 to 2028 and, in some instances, with renewal privileges at reduced annual rentals. A subsidiary has two ships under charters which expire in 1977 and 1978. The current annual rentals and charter hire under these agreements, exclusive of property taxes and insurance, are as follows: premises leased under sale-and-lease-back agreements $3,416,000, ships under charters $1,828,000, and other properties $1,653,000.

The corporation reports depreciation for financial statement purposes on a straight-line basis over the useful lives of all depreciable assets. For federal income tax purposes, depreciation is claimed on both straight-line and accelerated methods using guideline lives and the resulting difference is reflected in the annual provision for deferred income taxes.

The 1970 provision for United States and foreign income taxes consists of:

Taxes currently payable, net of investment tax credit $1,600,000	$20,949,000
Deferred income taxes	3,451,000
	$24,400,000

Depreciation, depletion and amortization charged to operations was $51,935,000 in 1970 and $48,377,000 in 1969.

FMC CORPORATION

Financial Review (page 23)

Capital expenditures and depreciation—During the year, FMC spent $71 million for new facilities and equipment, an 11 percent decrease from the $79 million spent in 1969. Capital expenditures by major product groups follow:

	(Millions)	
Chemical	$27	$21
Fiber & Film	23	39
Machinery	19	15
Ordnance	2	3
Other	–	1
Total	$71	$79

The provision for depreciation was $43.0 million compared with $45.6 million in the prior year. Depreciation is recorded in the accounts using lives which approximate those permitted by the 1962 Internal Revenue guideline regulations. New assets acquired subsequent to 1953 and prior to 1968 are depreciated using accelerated methods. All other assets are depreciated using the straight-line method.

The Company has continued to claim depreciation for tax purposes based on the accelerated methods permitted by statute. Provision has been made for deferred income taxes to recognize the tax liability which will arise when depreciation for reporting purposes exceeds depreciation permitted for tax purposes. At December 31, 1970, this amounted to $10.7 million, of which $4.9 million was provided in 1970.

UNIROYAL, INC.

Total costs and expenses (including depreciation of $50,503,000) $1,525,608,000

Financial Notes

Depreciation and Income Taxes—For financial accounting purposes, depreciation of property, plant and equipment is provided generally on a straight line basis at rates presently considered adequate to amortize the total cost over the lives of the assets. For Federal and certain foreign income tax purposes, accelerated depreciation methods are used; the resultant net reduction in current taxes payable, $3,758,000 for 1970, $3,861,000 for 1969 and $30,883,000 for years prior thereto, is included in Deferred Taxes on the balance sheet.

The ratio between total Federal and foreign income taxes and income before taxes decreased in the year 1970 from that for the year 1969. The lower ratio for 1970 arose principally from improvement in operating results in certain foreign countries which had no tax impact; variations in income as between countries having different tax rates; differences in Federal income tax rates, principally surtax; and the variation in the amount of investment credit allowable under the Tax Reform Act of 1969.

TABLE 3-14: SOCIAL AWARENESS EXPENDITURES

Expenditures for:	1970	1969	1968
Aid to unemployed and related programs	65	73	N/C
Assistance to educational institutions	35	28	23
Contributions to charitable foundations	19	21	21
Grants to hospitals, health and other community related activities	28	19	12
Aid to minority groups or enterprises	14	N/C	N/C
Assistance in urban development	15	N/C	N/C
Other	16	8	13
Total	191	149	69
Number of Companies:			
Disclosing expenditures for above purposes	105	102	49
Not disclosing such expenditures	495	498	551
Total	600	600	600

N/C—Not compiled.

SOCIAL AWARENESS EXPENDITURES

As Table 3-14 indicates, social awareness expenditures may take many forms. In addition to the classifications mentioned in Table 3-14, 105 companies mentioned action that they are taking at their various plant sites in the interest of preserving the environment. This classification was not included in the table since, in many instances, the improvements were made to conform to existing or anticipated state or Federal laws. Examples of disclosures regarding social awareness are presented below.

CARNATION COMPANY

Social Responsibility (page 16)—There has been so much discussion on the subject of industry's participation in solving today's social problems, we feel it is appropriate to inform you of Carnation's position and some of its activities in this area.

Involvement in social concerns is not new for Carnation. The company, its management and employees have for many years been deeply involved in giving manpower and financial assistance to hospitals, health organizations, youth programs and organizations dedicated to improving the quality of life. We also constantly strive to increase the job opportunities within our company for members of minority groups.

Because we see improved education as one important path to a better life, we have increased our already considerable support in this field. In addition to a company-established foundation which gives financial assistance to more than 100 independent colleges and universities, the company makes sizable annual contributions to many minority colleges, and we have recently initiated a program of Teaching Incentive Awards. The latter grants give financial assistance to education majors who agree to teach in center-city schools when they graduate.

Judging from public response, Carnation has answered a widespread need in two new public service publications. A half million copies of "How to Get and Keep the Right Job" have already been distributed and requests continue to come in from schools, manpower training centers, government agencies and industrial personnel departments across the country. The second pamphlet, on proper prenatal care, has been distributed in both English and Spanish to 1,250,000 people, most of whom are in the lower socio-economic groups.

Our latest project seeks to answer a different need—the need for pride in one's heritage and race. Carnation has underwritten the publication of a book and a 10-minute motion picture, both titled "Black Dimensions in Contemporary American Art," which present examples of paintings done by black artists in every section of the United States. Initially twenty thousand copies of the book will be available for free distribution to schools, libraries, art centers and museums. The film will have similar distribution and will also be seen on educational television. This packaged museum should do much to create new pride and a new group of heroes for black youngsters everywhere.

CARRIER CORPORATION

Financial Data (page 15)—Contributions made by the Carrier Corporation Foundation, Inc., in 1970 amounted to $520,000 Approximately 54% of its total donations were to health and social welfare organizations, 40% to educational institutions and the remainder to other qualified recipients During fiscal 1970, the Corporation did not make a gift to the Carrier Corporation Foundation, Inc

GENERAL ELECTRIC COMPANY

1970 Corporate Highlights (page 22)—Over $2 million was contributed to U. S. education in 1970 by the General Electric Foundation, a trust established in 1952. Also, General Electric authorized educational contributions of nearly $250,000. Annual reports of the Foundation and GE Aid to Education programs are available on request.

GENERAL FOODS CORPORATION

GF in the '70's (page 14)—The company also urges active acceptance of citizenship responsibilities by its employees, encouraging them to serve in governmental posts as well as in civic, political, and charitable groups Through its Corporate Contributions program, GF gave $1 2 million, or less than one-tenth of 1 per cent of net sales, in fiscal 1970 to help support worthy local and national causes Assistance to education is furnished by the company's independent foundation, The General Foods Fund, Inc., which in calendar 1969 contributed $656,514 to education This support of worthwhile endeavors, the management believes, contributes positively toward improving the climate in which business operates

HUDSON PULP & PAPER CORP.

Notes to Financial Statements

Note D (in part): Costs and Expenses—The Company contributes for eleemosynary purposes approximately 5% of its net taxable income Contributions amounted to approximately $281,000 (1970) and $255,000 (1969) of which approximately $250,000 (1970) and $206,000 (1969) was made to The Abraham Mazer Family Fund, Inc., a nonprofit philanthropic corporation

INTERNATIONAL PAPER COMPANY

Consolidated Earnings Statement (in part)

Earnings before extraordinary items	$82,477,000
Extraordinary items, net of applicable income tax of $38,400,000 (Note 2)	(39,600,000)
Net earnings	$42,877,000

Note 2: Extraordinary items—A reserve of $78,000,000 before taxes ($39,600,000 after tax effect) was provided in 1970 for estimated extraordinary losses to be incurred in connection with the anticipated abandonment of facilities which are unprofitable, obsolete or unusable and which cannot, in the opinion of management, be made profitable by economically justifiable expenditures and of facilities which do not meet environmental standards and which, in the opinion of management, cannot be brought into compliance for similar economic reasons.

Letter to Shareholders (page 6)

Environmental Programs—International Paper has pledged to do its part as an industrial citizen to control the pollution of the environment and maintain the vital quality of the basic resources of water and air we all share. Last spring the Company announced a four-year $100 million program to combat water and air pollution at our U.S. pulp and paper mills and other manufacturing facilities. Environmental control projects approved to date will cost $42 million and involve many of our U.S. primary pulp and paper mills.

The first phase of the new mill at Ticonderoga, New York, is now in partial operation and all operations at the old mill will be terminated during April 1971

At the end of the year the State of Vermont filed a motion in the United States Supreme Court for leave to file a complaint against International Paper and the State of New York. In February 1971 four Vermont residents sued the Company in a class action in the Federal District Court in Vermont. Both complaints are based on alleged pollution of Lake Champlain by the old Ticonderoga mill and seek damages. The State of Vermont's action also asks for an injunction. The Company will contest both actions.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION

Social/Environmental Relations (page 23)—The year 1970 brought a spreading awareness of the social/environmental responsibility of all segments of society, including business. ITT has been a pioneer in recognizing and fulfilling this responsibility, as indicated last year in our 50th annual report. During 1970, the Company moved ahead in efforts to build a better world society. Its activities to this end, too numerous to list, include the following recent and current programs.

We provided equal employment opportunity and the upgrading of skills of minority group members by hiring nearly 4,000 workers under the National Alliance of Businessmen's JOBS program. This is about four times the national average.

ITT Chairman and President Harold S. Geneen is now serving his third year as chairman of NAB's Region II, which covers New York, New Jersey, Puerto Rico and the Virgin Islands. He is also a member of NAB's board.

Many members of minority groups have difficulty in obtaining venture capital from conventional sources. To assist in solving this social problem, ITT has invested in a MESBIC (Minority Enterprise Small Business Investment Company) under a U.S. Department of Commerce program. Rutgers University Graduate School of Business Administration runs the project with the help of ITT executives.

ITT sponsored 47 drug education seminars during 1970 to alert communities to the drug problem, its patterns, symptoms, facilities for treatment, and methods of curbing drug abuse. Fifty similar seminars are planned for this year.

In Hawaii, ITT Worldcom turned over a building, rent-free for a year, to the newly-formed Kailua Drug Clinic, just outside Honolulu.

Responding to needs of the people affected by the 1970 Peruvian earthquake, Sheraton airlifted five tons of blankets together with 32 tons of clothing and bedding collected from Sheraton employees, guests and other ITT units throughout the United States.

Hartford Life has pledged $2 million under the life insurance industry's urban renewal program.

A grant by ITT to the Brooklyn Academy of Music helped finance the American debut of Maurice Bejart's Ballet of the 20th Century from Brussels. The grant not only helped defray general expenses but enabled the Academy to offer student tickets at greatly reduced rates in recognition of Bejart's appeal to young people. In Washington state, ITT Rayonier continues to allow public use of almost all of its 350,000 acres of land for hunting and recreation and provides, as well, camping areas with cooking facilities. Over 50,000 people used these lands in a one-year period. ITT's many people-oriented programs include a growing number in the ecological area of prevention, abatement, and control of pollution.

Pennsylvania Glass Sand Corporation has vast land reclamation projects in Virginia and Florida. Its reclamation in Maryland brought it a conservation program-of-the-year award. ITT's sense of social responsibility extends to its overseas operations. At Meaux in France, the ITT components plant was the first in the country to design its assembly line and factory to facilitate employment of the physically handicapped. The company is also active in organizing sports events for the handicapped.

WALTER KIDDE & COMPANY, INC.

To the Shareholders: (page 5)

Preserving Our Environment—In industry certain occasions arise which permit us to make extraordinary contributions toward preserving invaluable natural antiquities. One such opportunity presented itself to Kidde with the discovery of a major paleontological treasure on undeveloped land owned by the company in northern New Jersey. Excavations revealed hundreds of dinosaur footprints and other animal fossils dating back 200 million years. The tracks are considered to be the finest preserved and best defined dinosaur footprints in the world. Recognizing that the scientific value of the discoveries far exceeds any benefit that could be gained through commercial development, Kidde decided to donate the land for permanent preservation as a public park. The property is now being considered for designation as a Natural Landmark by the Department of the Interior.

ELI LILLY AND COMPANY

To The Shareholders (page 3)

In expressing its deep concern in the matter of drug abuse, the company took a number of steps in drug education and product security to help combat the problem. Educational materials were made available to teachers and pharmacy and medical groups. We also developed and provided films, exhibits, and pamphlets to a wide audience, and employees with special skills and knowledge gave talks to concerned groups. In addition, financial support was granted to a number of agencies throughout the nation.

POLAROID CORPORATION

Report on Operations (page 6)

Community Relations—During 1970 Polaroid's community relations group participated in more than 100 projects related to urban problems in Boston, Cambridge, Waltham, New Bedford and other communities. The group has provided financial and product support in educational, cultural and recreational efforts including a summer job program, day care, a transportation study in Cambridge, the Learning to Learn Center in New Bedford, the Opportunities Industrialization Center in Roxbury, and others.

REYNOLDS METALS COMPANY

To Our Shareowners: (page 2)

Our recycling programs—designed to help solve the problems of litter and solid waste—have won Reynolds several awards and nationwide acclaim. More importantly, they are proving an effective force for environmental improvement and conservation of resources.

Our ecological activity has not been limited to the recycling programs. We accelerated improvement of environmental quality at our own facilities, under the direction of a corporate committee of experts. More than $10 million was invested in better pollution control equipment in 1970 alone. Research on continuing problems was stepped up. We have not only developed new techniques for our own environmental improvement, but also developed products and services helpful to other industries. The new all-aluminum engine, for example, helps to reduce pollution. Some other dramatic ways in which Reynolds aluminum is contributing to the betterment of our environment are illustrated in this report.

Aluminum Recycling

Program in Full-Scale Operation—After several years of pilot operation to prove its economic feasibility, Reynolds recycling program for all-aluminum cans and other household aluminum scrap moved into full-scale operation in 1970. It continued to win public praise and commendation, and similar programs were inaugurated by others.

2,000 Tons Collected—During the year the program collected more than four million pounds of aluminum. Seven new reclamation centers were opened—in San Francisco, Calif., Newark, N. J., New York City (two), Houston, Texas, and Tampa and Jacksonville, Fla.—to expand the program to 16 states. This includes centers already operating in Miami, Fla. and Los Angeles, Calif. and arrangements made in 1970 with several large brewers for approximately 250 of their distributor locations to act as satellite collection centers. In addition, a mobile unit began service to areas without permanent collection facilities.

Aluminum collected was the equivalent of 80 million cans. Approximately $400,000 was paid to the public for this material.

Other Programs—In addition, experimental work, both corporate and with government agencies, was continued in an effort to find ways of economically recycling aluminum and other solid waste residue from municipal garbage.

ROHM AND HAAS COMPANY

To the Stockholders (page 2)

The company's efforts to improve opportunities for minority groups were further enhanced during the year. We established an Equal Opportunity Advisory Committee consisting of minority employees and senior managers. The committee provides an excellent means of communications and is a valuable adviser to management on issues related to equal opportunity.

XEROX CORPORATION

Commentary (page 38)

Charitable Contributions Expand– Our corporate contributions totaled $4.4 million in 1970. As in the past, the majority of Xerox contributions was in support of higher education. A substantial portion of contributions was again directed to Community Chests and United Funds in locations where Xerox has business facilities. In addition, for the first time, books were donated to selected college and university libraries. In a unique and joint effort, Xerox and The National Endowment for the Humanities made a grant to the National Gallery of Art, enabling the "Civilisation" series to be shown at small colleges and universities.

UNITED STATES STEEL CORPORATION

Of General Interest (page 23)

Contributions–During 1970, U. S. Steel donated some $700,000, including certain property no longer needed in its operations, to various local charitable and educational organizations. United States Steel Foundation, Inc., which was formed in 1953, continues to provide aid for charitable, educational and scientific organizations and activities. During its fiscal year ended November 30, 1970, the Foundation made grants totaling $6.0 million.

INCOME TAXES

INCOME TAX CAPTIONS

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. Nineteen companies either did not show a provision for income taxes or showed a credit provision because of 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. Thirty-eight companies commented on variations in the annual effective tax rate.

Examples of income tax captions follow.

FOOTE MINERAL COMPANY

Federal and state income taxes (note 4):	
Current	$2,338,000
Deferred	256,000
Investment credit	(49,000)
	$2,545,000

Note 4: Income Taxes–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, start-up costs of new plant, extended vacation benefits and reserves not currently tax deductible.

Federal income tax expense has been reduced by $90,000 for the year ended December 31, 1969, by reason of the investment credit provisions of the Revenue Act. In addition, the company is amortizing amounts previously deferred over the estimated life of the respective assets ($49,000 in each year).

The effective tax rate of the company has been reduced as a result of a percentage depletion allowance for tax purposes.

TABLE 3-15: FEDERAL INCOME TAXES

Description in Income Statement*	1970	1969
A: Income taxes	280	254
B: Federal income taxes	235	256
C: U.S. income taxes	66	73
No provision for federal income taxes	19	17
Total	600	600

*Refer to Company Appendix Section–A: 53, 323, 665; B: 45, 288, 712; C: 207, 279, 570.

GENERAL MOTORS CORPORATION

Provision for United States and foreign income taxes	$169,400,000

Notes to Financial Statements

Provision for Income Taxes–Provision for United States and foreign income taxes for 1970 amounted to $169,400,000 and consisted of taxes estimated to be payable currently of $246,618,000, less the net amortization of the investment tax credit of $9,118,000 and net deferred taxes of $68,100,000. Investment tax credits allowed under the Internal Revenue Code are deducted in determining taxes estimated to be payable currently and are deferred for amortization over the lives of the related assets. In 1970, the investment tax credit allowed was $19,882,000 and the amount of amortization was

TABLE 3-16: OTHER INCOME TAXES

Type of Tax*	Combined with federal	Shown separately	Total
A: Foreign income taxes	121	16	137
B: State and/or local income taxes	53	30	83
C: State and foreign income taxes	35	12	47
D: Other	21	4	25
Total	230	62	292

Number of Companies	1970	1969
Referring to other income taxes	269	270
Not referring to other income taxes	31	330
Total	600	600

*Refer to Company Appendix Section–A: 7, 139, 259, 302, 397; B: 4, 104, 275, 671; C: 116, 368, 468; D: 26, 347, 616.

$29,000,000. Refer to page 8 for additional comments regarding the provision for income taxes for 1970.

Financial Review (page 8)

Taxes—The provision for United States and foreign income taxes in 1970 was $169 million, compared with $1,743 million in 1969. The 1970 provision was unusually low in relation to income before income taxes due to several factors, all of which have a greater impact in a year of lower earnings. First, income includes equity in the earnings of nonconsolidated subsidiaries such as General Motors Acceptance Corporation, the taxes for which are provided in the accounts of the subsidiaries and are not in the tax provision of the Corporation. Second, the amortization of investment tax credits reduces the tax provision. Third, as stated in the annual report for 1968, when the Corporation adopted the principle of comprehensive income tax allocation as a result of *Accounting Principles Board Opinion No. 11*, the tax reductions for certain expenses charged to income prior to 1968 are recognized for financial accounting purposes at the time the deductions are realized for tax purposes. Portions of these pre-1968 expenses became allowable tax deductions in 1970; since the related tax benefits for these expenses had not been recorded previously, the result was a relatively substantial decrease in the total provision required for income taxes in 1970.

The provision for United States and foreign income taxes, together with state and local taxes and the Corporation's share of social security taxes, resulted in a total tax provision of $865 million in 1970. Including sales and excise taxes, which are excluded from both sales and costs but are paid by the buyers of GM products, all taxes applicable to General Motors operations in 1970 were $2.0 billion, the equivalent of $3.24 for every dollar of net income and $6.91 per share of common stock.

HAMILTON WATCH COMPANY

Income (loss) before income taxes and extraordinary charges	$(18,371,000)
Provision (credit) for income taxes	(2,447,000)
Income (loss) before extraordinary charges	$(15,924,000)

Notes to Consolidated Financial Statements

Note 6: Income Taxes— The provision (credit) for taxes on income is as follows:

	Years Ended January 31, 1971	1970
Credit arising from carry back of net operating loss	$(2,886,000)	$ –
Currently payable (1971 consists of state and foreign income taxes only)	75,000	624,000
Deferred	364,000	99,000
Charge equivalent to benefit resulting from extraordinary item	–	893,000
	$(2,447,000)	$1,616,000

Deferred income taxes in the year ended January 31, 1971 relate principally to the tax effect of intercompany profits in inventories at the beginning of the year which were sold in 1970. In the year ended January 31, 1970, deferred taxes relate principally to differences in reporting such inventories, depreciation and pension expenses for financial and tax purposes.

At January 31, 1971, the Company had available a net operating loss carry forward for federal income tax purposes of approximately $3,000,000 which can be applied against future taxable income, if any, and which expires January 31, 1976. For financial reporting purposes, the Company has a carry forward of approximately $17,000,000 which exceeds the tax carry forward because of amounts deducted currently for book purposes that will become tax deductions in future years.

HOWMET CORPORATION

Provision for income taxes	$10,183,000

Financial Review (page 2)

Income tax—provisions were made in the following amounts (in thousands):

	1970	1969
Current income taxes applicable to continuing operations	$ 5,575	$14,913
Deferred income taxes applicable to continuing operations	8,857	4,960
Investment tax credit	(4,249)	(972)
	10,183	18,901
Current income taxes (benefit) applicable to discontinued operations	405	(556)
Current tax benefit applicable to extraordinary loss	(3,134)	–
Total provision for taxes	$ 7,454	$18,345

Deferred income taxes relate principally to accelerated depreciation and differences in reporting income and expenses of the Intalco and Eastalco projects for income tax purposes.

During 1968, the Internal Revenue Service issued a notice of proposed income tax deficiencies of $4,334,000 with respect to the years 1958 through 1961. These proposed deficiencies are being contested, and management is of the opinion that any additional taxes which might become payable for prior years will not have a material effect on the financial statements.

INSILCO CORPORATION

Costs:	
Cost of products sold, exclusive of expenses separately classified	$155,391,000
Selling, general and administrative expenses	48,356,000
Maintenance and repairs	8,934,000
Depreciation	6,304,000
Taxes (other than taxes on income)	6,000,000
Interest expense, net of interest income of $1,623,000, 1969—$318,000	6,547,000
Estimated taxes on income, including deferred income taxes of $1,959,000, 1969—$4,746,000 (note 5)	10,654,000
	$242,186,000

Note 5: Income Taxes—Deferred taxes on income have been provided due to timing differences between income tax and consolidated financial statement reporting in the recognition of income and expenses (principally depreciation, pension costs and inventories) and the amortization for tax purposes of amounts included in intangible assets.

Investment tax credits are applied in reduction of provisions for income taxes and aggregated $117,000 in 1970 and $328,000 in 1969.

JOHNS-MANVILLE CORPORATION

U. S., Foreign and State Income Taxes (note 2)	
Current	$18,508,000
Deferred	3,632,000

Note 2:—The decline in U.S., foreign and state income taxes in 1970, in relation to earnings before income taxes, is principally attributable to a reduction in the provision for withholding taxes on dividends from foreign subsidiaries, to foreign exchange losses recognizable only for tax purposes, and to an increase in the relative effect of percentage depletion recognizable only for tax purposes.

Deferred income taxes result principally from the excess of accelerated depreciation taken for tax purposes over depreciation computed on the straight line method for accounting purposes.

ELI LILLY AND COMPANY

Provision for taxes on income— Notes C and D:	
Current	$49,803,498
Deferred	5,526,000
	$55,329,498

Note C: Operations in Puerto Rico—The consolidated net income includes income with respect to a domestic subsidiary operating in Puerto Rico. A substantial portion of the income of the subsidiary is exempt from Puerto Rican and United States income taxes under multiple exemption grants, the first of which expires in 1976; however, income taxes are provided on portions of the subsidiary's income which may be remitted and require tax payments. After such provisions, the tax exemptions had the effect of increasing consolidated net income $16,100,000 for 1970 and $15,300,000 for 1969.

Note D: Federal Income Taxes—Taxes deferred include (1) $4,294,000 at December 31, 1970, and $2,118,000 at December 31, 1969, arising from the use of an accelerated method of depreciation of selected buildings and equipment for federal income tax purposes only and (2) taxes which may result upon remittance of earnings from outside the United States and from Puerto Rico.

United States federal income tax returns for the years 1966 through 1968 are currently under examination.

SCOTT PAPER COMPANY

Taxes on Income	
Current	
Federal	$22,799
State and foreign	3,617
Deferred	3,174
	$29,590

Financial Review (page 6)

Taxes on Income—were 40.5% of pretax earnings compared with 43.7% in 1969. The decrease in the Federal surcharge from 10% in 1969 to 2½% in 1970 was the principal reason for the lower tax rate.

The investment tax credit was $1,448,000 in 1970, down from $2,368,000 the previous year. These credits are recognized in the year the capital projects are completed. The Federal tax law was changed to eliminate the investment credit for projects started after April 18, 1969.

Total income taxes of $29,590,000 in 1970 include $3,174,000 of deferred taxes not currently payable, principally because depreciation deducted from income on tax returns exceeded the straight-line depreciation used in the company's financial reporting. Using the larger depreciation expense on tax returns provides increased working capital, since current tax payments are lower. Deferred taxes for 1970 and prior years, totaling $36,864,000, are equivalent to a reserve of $1.07 per share, which will not become payable, under existing tax laws, so long as the company maintains its historical rate of capital expenditures.

WESTVACO CORPORATION

Income Taxes (Note F):	
Current and deferred	$7,430,000
Investment tax credit	(4,050,000)
Provision for income taxes	$3,380,000

Note F: Income Taxes—For income tax purposes the Company reports certain amounts of income and expense (in 1970 principally preoperating costs relating to the new mill and depreciation) in periods different from when such amounts are reported for financial accounting purposes. With respect to depreciation, the Company utilizes an accelerated method and the guidelines established by the Treasury Department for income tax purposes, while for financial accounting purposes plant and equipment are depreciated over their useful lives using the straight-line method. These practices have no effect on reported net income because provision is made for the related deferral of income taxes ($3,915,000 in 1970; $5,445,000 in 1969).

The 1970 investment tax credit of $4,050,000 relates primarily to the new Wickliffe mill. Of the total credit approximately $3,160,000 will be realized by carryback to prior years. This recoverable amount of income taxes previously paid is included in the accompanying balance sheet as an account receivable.

In 1970 the effective income tax rate was reduced to 16% (1969—33%) primarily as a result of an increase in the investment tax credit and the higher proportion of capital gains and foreign income taxable at lower than ordinary rates.

INTERPERIOD TAX ALLOCATION

Paragraph 12 of *Opinion No. 11—Accounting for Income Taxes* states in part:

> e. Financial statement presentations of income tax expense and related deferred taxes should disclose (1) the composition of income tax expense as between amounts currently payable and amounts representing tax effects allocable to the period and (2) the classification of deferred taxes into a net current amount and a net non-current amount.

Table 3-17 shows that most companies reporting timing differences disclose the reason for and the amount of the timing difference. Table 3-18 summarizes the balance sheet presentations of deferred taxes. Examples of interperiod tax allocation disclosures follow.

TABLE 3-17: INTERPERIOD TAX ALLOCATION

Reasons for Allocation	1970	1969	1968	1967
Depreciation	366	335	305	233
Deferred expenses	57	101	60	21
Installment sales	54	54	41	29
Deferred income	38	31	N/C	N/C
Pensions	27	26	21	6
Other employee benefits	32	N/C	N/C	N/C
Research and development	19	N/C	N/C	N/C
Inventory pricing	7	12	70	37
Other	60	57	N/C	N/C
Total	660	616	497	326
Number of Companies				
Disclosing reasons for allocation	410	385	353	265
Not disclosing reasons	111	135	138	148
Not reporting tax allocation	79	80	109	187
Total	600	600	600	600
Amount of Current Year Allocation Disclosed				
Within income statement	197	200	177	N/C
In notes to financial statements	204	193	122	N/C
Other	51	25	15	N/C
Subtotal	452	418	314	167
Amount of current year allocation not disclosed	69	102	177	246
No indication of allocation	79	80	109	187
Total	600	600	600	600

N/C—Not compiled.

TABLE 3-18: BALANCE SHEET PRESENTATION OF INTERPERIOD TAX ALLOCATION

Balance Sheet Classification	1970	1969	1968	1967
Noncurrent liability only	360	370	366	375
Noncurrent liability and current liability	40	29	26	13
Noncurrent liability and current asset	38	26	24	1
Current liability or asset only	25	36	28	14
Noncurrent asset only	19	22	36	9
Noncurrent asset and current liability or asset	14	17	N/C	N/C
Other	20	20	11	N/C
Number of Companies				
Indicating tax allocation accounting	516	520	491	412
Not indicating tax allocation accounting	84	80	109	188
Total	600	600	600	600

N/C—Not compiled.

Deferred Taxes Shown as Current and Noncurrent Liability

W. T. GRANT COMPANY

Provision for Federal income taxes:	
Note D:	
Current	$21,140,000
Deferred	11,660,000
	$32,800,000
Current Liabilities:	
Federal income taxes payable	$13,566,940
Deferred credits, principally income taxes related to installment sales—Note D	94,488,843
Deferred Federal Income Taxes	$8,518,051

Note D:—Gross profits on sales on the installment basis are reflected in the financial statements when the sales are made, whereas, for federal income tax purposes, such gross profits are reported as income as collections are received. The resulting difference between taxes accrued and taxes actually payable is included as "Deferred credits, principally income taxes related to installment sales."

At January 31, 1971, accumulated depreciation of approximately $17,750,000 has been deducted for tax purposes in excess of the deduction (using the straight-line method) in the financial statements. The resulting difference is included in "Deferred Federal Income Taxes."

Investment credit totaling approximately $402,000 has been deducted from the provision for federal income taxes for the year ended January 31, 1971.

Federal income tax returns of the Company have been examined and accepted by the Internal Revenue Service through January 31, 1963.

R. H. MACY & CO., INC.

Federal Income Taxes (Note 4— page 24)	$19,125,000
Current Liabilities:	
Federal income taxes (Note 4— page 24)—	
Current	$ 577,580
Deferred	33,800,000
Deferred Credits:	
Deferred Federal and state taxes (Note 4—page 24)	$32,359,226
Deferred investment credit ($4,965,077 and $5,052,652) and unamortized capital gains on sales and leasebacks	7,961,956

Note 4:—Federal income tax provisions for the fiscal years 1970 and 1969 include deferred taxes of $4,758,946 and $5,693,815, respectively. Such deferred Federal income taxes result primarily from the use, for tax purposes, of accelerated depreciation methods and of the installment method of accounting for deferred payment sales. The portion thereof resulting from the latter is included with current liabilities. Federal income tax provisions have been reduced by $542,000 and $490,000 for the fiscal years 1970 and 1969, respectively, for amortization of accumulated investment credits over the useful lives of the related equipment.

Federal income taxes for fiscal years through July 31, 1965 have been settled; tax returns for later years are subject to audit by the Internal Revenue Service.

WESTINGHOUSE ELECTRIC CORPORATION

Cost and Expenses:	
Income taxes	$107,726,114
Current Liabilities:	
Federal and foreign income taxes	$15,745,660
Deferred income taxes	86,751,379
Deferred Income Taxes—Non-Current	$20,051,988

Financial Review (page 27)

Income Taxes provided include deferred taxes amounting to $37.3 million due to timing differences between financial and tax reporting principally related to long term contracts in process, product guarantees and depreciation.

Deferred Taxes Shown As Current Asset And Noncurrent Liability

AMF INCORPORATED

	(in thousands of dollars)
Taxes based on income, including deferred taxes: 1970— ($7,302)	$34,928
Current Assets:	
Prepaid expenses, including deferred taxes: 1970—$5,416 (Note 3)	$12,324
Noncurrent Liabilities:	
Deferred Federal and Foreign Income Taxes (Note 3)	$ 9,498

Note 3: Deferred Taxes—Deferred taxes result from differences between the years in which depreciation, income from certain installment obligations and other expenses affect taxable income and the years in which they affect financial statement income.

BIRD & SON, INC.

Provision for income taxes— Note 5	$ 2,068,000
Current Assets:	
Accumulated income tax prepayments—Note 5	$83,000
Noncurrent Liabilities:	
Deferred income taxes—Note 5	$3,661,000

Note 5: Income Taxes—The provision for income taxes includes a credit for deferred income taxes of $34,000 ($172,000 charge in 1969) for tax timing differences relating to accelerated depreciation and pension costs. The provision for income taxes also includes a charge equivalent to a reduction in income tax prepayments of $350,000 in 1970 (a credit of $291,000 in 1969) to give effect to the timing difference relating to advance payments on sales contracts. 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 $67,000 ($110,000 in 1969).

The Internal Revenue Service has examined the company's income tax returns for the three years ended December 31, 1968 and has proposed tax deficiencies of approximately $470,000. These proposed deficiencies will be contested and the company is of the opinion that any taxes which might become payable for prior years will not have a material effect on the consolidated financial statements.

BORG-WARNER CORPORATION

	(thousands of dollars)
Provision for income taxes (page 8)	$41,198
Current Assets:	
Prepayments and future tax benefits (page 10)	$24,814
Noncurrent Liabilities:	
Deferred income taxes (page 10)	$15,499

Financial Review (page 8)

Income taxes on earnings, before extraordinary items, were $41.2 million, almost $10 million less than for 1969, due primarily to lower earnings and elimination of the Federal surtax at mid-year. This tax provision includes deferred taxes of $1.3 million in 1970, and $1.1 million in 1969 (page 10) and is after reduction of $.4 million in 1970 and $1.3 million in 1969 for currently allowed investment tax credits.

Future tax benefits and deferred income taxes—Tax benefits which result from future tax deductibility of current charges against earnings have been recognized in the Borg-Warner financial statements. These current charges include certain accrued operating expenses.

For 1970, they also include a major portion of the provision for estimated losses described on page 9. .

Recognition also has been made for deferred tax charges to be paid in the future, which arise primarily from the excess of current tax deductible depreciation over that charged to current earnings.

The net current portion of deferred taxes, to be realized within one year, is included in current assets; that which is to be realized in future years is shown as a net non-current liability.

HARNISCHFEGER CORPORATION

Provision for income taxes (Note 3)	$1,755,000
Current Assets:	
Accumulated income tax benefits (Note 3)	$ 435,154
Noncurrent Liabilities:	
Deferred income taxes (Note 3)	$ 522,236

Note 3: Income Taxes—Federal income tax returns have been settled for the years through 1968. The 1970 provision for income taxes includes $1,215,000 currently payable and $540,000 of deferred taxes, the latter representing taxes provided on the unremitted net earnings of a consolidated foreign subsidiary and other timing differences between financial and tax accounting, principally the deduction in current tax returns of a subsidiary's loss booked in 1965.

Current federal tax provisions have been reduced by investment tax credits of $57,000 in 1970 and $105,000 in 1969.

MIDLAND-ROSS CORPORATION

United States federal and foreign income taxes— Note I	$8,780,000
Current Assets	
Deferred federal income taxes	$2,204,039
Long-Term Liabilities—Less current portion:	
Deferred federal income taxes	$1,336,760

Note I: Federal Income Taxes—The income tax provision for 1970 is summarized as follows:

	Provision (Credit) Included in Income Before Extraordinary Loss	Extraordinary Loss
Currently payable	$5.841.344	$(3.822.100)
Deferred	2.938.656	(5.244.937)
	$8.780.000	$(9.067.037)

The current provision included in income before extraordinary loss has been reduced by investment credits of approximately $70,000 in 1970 and approximately $1,720,000 in 1969. The deferred provisions relate principally to the following timing differences: ordinary—accelerated depreciation and development expenses; extraordinary— reserve for possible close-down of frame facilities.

NORTON SIMON INC.

Federal income taxes	$31,970,000
Current Assets:	
Prepaid Federal income taxes	$26,431,000
Liabilities:	
Deferred Federal income taxes	$34,282,000

Notes to Financial Statements

Note 8: Federal Income Taxes—The Company follows the generally accepted practice of recognizing the tax effects of transactions in the year in which they enter into the determination of net income, regardless of when they are recognized for tax purposes. Accordingly, Federal income tax expense includes provisions for deferred income taxes in the amounts of $9,010,000 in 1970 and $6,530,000 in 1969. The accumulated differences are shown as prepaid or deferred Federal income taxes in the accompanying balance sheet. The principal items which give rise to these differences are depreciation, certain lease payments, subscription income, and certain accruals and allowances. Federal income tax expense also includes minor amounts of foreign income taxes.

Deferred Taxes Shown as Current Liability

HALLIBURTON COMPANY

Provision for Income Taxes (Note 4):	
Federal income taxes—current	$24,251,452
Federal income taxes—deferred	(982,269)
State and foreign income taxes	11,479,288
Total provision for income taxes	$34,748,471
Current Liabilities:	
Federal income taxes—current	$10,565,021
Federal income taxes—deferred (Note 4)...	32,562,504

Note 4: 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 $535,234 in 1970 and $2,140,827 in 1969 for the investment tax credit.

AMPEX CORPORATION

	($ thousands)
Taxes on income, Note 3	$ 8,710
Current Liabilities:	
Federal and foreign income taxes, including deferred taxes, Note 3	$13,766

Note 3: Federal Income Taxes—Income from installment sales, and deductions for property taxes, depreciation, and various other expenses, are reported for tax purposes on bases other than those used for statement purposes. In this connection, a provision has been made

for deferred income taxes of $942,000 for 1970 and $3,020,000 for 1969. Deferred Federal income taxes amounted to $7,517,000 in 1970 and $6,575,000 in 1969.

Earnings of foreign subsidiaries have been charged with Federal income taxes to the extent management plans to repatriate such earnings.

The Company is engaged in a controversy with the Internal Revenue Service concerning the taxability of certain foreign income. Although the controversy involves the year 1965, the same issue is present in subsequent years including the current year. Legal counsel is of the opinion that the Company will prevail and that no tax deficiencies will be assessed.

Deferred Taxes Shown As Noncurrent Asset And Current Liability

DEERE & COMPANY

Provision for income taxes (includes deferred taxes of $29,188,000 in 1970)	$41,120,000
Deferred Charges (including deferred reduction of income taxes of $5,297,000 in 1970)	$15,020,000
Current Liabilities:	
Accrued taxes (includes deferred income taxes of $64,671,000 in 1970)	$89,834,000

Financial Review

Income Taxes and Investment Credit—The provisions for income taxes amounted to $41 million in 1970 and $49 million in 1969. The effective rate of United States income tax was about 50 per cent in the 1970 fiscal year, which was lower than the effective rate of more than 52 per cent in 1969. Taxes vary from year to year as operating income or loss changes in the various countries, provinces and states where the Company does business, and as the different laws and regulations are applied to compute income taxes.

The provisions for income taxes were reduced by investment credits of $.2 million in 1970 and $1.2 million in 1969.

Accrued taxes at the end of 1970 include $65 million of deferred taxes compared to $39 million at the end of 1969. Deferred taxes arise because there are some items that are treated differently for tax purposes than for book purposes. The principal items include the installment method of reporting sales, various reserves for expenses, and depreciation.

FEDERATED DEPARTMENT STORES, INC.

Federal income taxes:	
Currently payable	$68,798,000
Deferred	3,702,000
	$72,500,000
Other Assets:	
Deferred tax charges (Note 2)	$11,426,359
Current Liabilities:	
Federal income taxes, current and deferred (Note 2)	$77,849,983

Note 2: Deferred Tax Charges—result principally from deferred compensation less deferred tax credits from accelerated depreciation. Federal income taxes include deferred taxes of $47,204,000 at January 30, 1971 and $43,466,000 at January 31, 1970 from installment sales.

INTERCO INCORPORATED

Federal and foreign income taxes:	
Current	$26,073,006
Deferred—Federal	(490,283)
	$25,582,723
Other assets:	
Future Federal income tax benefits	$2,563,003
Current Liabilities:	
Federal and foreign income taxes	$9,431,770
Deferred Federal income taxes	487,659

Notes to Consolidated Financial Statements

Federal Income Taxes—Deferred compensation, depreciation, profit on installment sales and certain other items are recognized for income tax purposes in years other than the years in which they are reported in the financial statements. The tax effects of these timing differences are shown in the financial statements as Future Federal income tax benefits and Deferred Federal income taxes.

The Federal income tax returns of the company and its major subsidiaries for 1965 and all subsequent years are presently under examination or subject to examination by the Internal Revenue Service. Various significant issues, similar to those purportedly proposed to other multi-corporate companies, have been raised for discussion with the company. Management opposes these issues and believes that assessments, if any, which may result would have no material adverse effect on the financial position of the company.

Deferred Taxes Shown As Current And Noncurrent Asset

AMERICAN STANDARD INC.

	(dollars in thousands)
Taxes on income (including deferred taxes of $2,446)	$ 7,900
Current Assets:	
Future income tax benefits—net	$19,996
Future income tax benefits—net	$ 6,379

Financial Review (page 23)

Taxes—Future tax benefits represent the tax effects of income and expense items included in the determination of pre-tax income for financial statement purposes of transactions which will be reported for tax purposes in later years.

The portion of future tax benefits which is classified as a non-current asset relates principally to the reserve for expenses resulting from re-evaluation of certain product lines and facilities and is net of deferred tax credits of $8.5 million in 1970 and $10.5 million in 1969. Such tax credits are primarily due to tax depreciation deductions in excess of depreciation reported in the financial statements.

CHRYSLER CORPORATION

Taxes on income (credit)	$(21,400,000)
Current Assets:	
Income taxes allocable to the following year	$ 17,415,554
Investments and Other Assets:	
Income taxes allocable—noncurrent	$ 22,301,845

Notes to Financial Statements

Taxes on Income—Taxes on income as shown in the consolidated statement of net earnings include the following:

	1970	1969
Currently payable:		
United States taxes (credit)	$(81,800,000)	$50,000,000
Other countries	44,300,000	36,300,000
Deferred taxes	16,100,000	(6,000,000)
As previously reported		80,300,000
Adjustment in deferred taxes for change in inventory valuation		11,400,000
Total taxes on income (credit)	$(21,400,000)	$91,700,000

The change in inventory valuation resulted in a reduction in income taxes allocable to the following year of approximately $56.0 million at December 31, 1969.

Reductions in taxes resulting from the investment credit provisions of the Internal Revenue Code are being taken into income over the estimated lives of the related assets. The amounts of such credits which were reflected in net earnings were $6,300,000 in 1970 and $5,400,000 in 1969.

Deferred Taxes Shown As Noncurrent Asset

STANADYNE, INC.

	(000)
Provision for federal taxes on income:	
Current	$3,870
Deferred	80
	$3,950
Other Assets:	
Future federal tax benefits	$1,001

Notes to Consolidated Financial Statements

Income Taxes—Acquisition of machinery and equipment entitled the Company to investment tax credits of $77,000 in 1970, $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 provided.

Federal income tax returns for Stanadyne have been examined and settled through 1969; returns of Capewell for 1968 and 1969 are presently under examination.

McCORMICK & COMPANY, INCORPORATED

Provision for Income Taxes (Note 5)	$4,292,000
Other Assets:	
Deferred income tax	$ 308,553

Note 5: Income Taxes—The provision for income taxes comprises the following:

	1970	1969
Current	$4,273,743	$3,950,823
Deferred (resulting from differences between book and tax accounting)	18,257	(90,823)

The investment credit for the year ended November 30, 1969, approximately $124,000, has been applied as a reduction of the provision for Federal income taxes for that year. The investment credit for 1970 was not significant.

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 carry-over 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.

TABLE 3-19: INVESTMENT TAX CREDIT

Method Used in Current Year	1970	1969	1968	1965
Flow-through:				
No deferral from prior years	234	283	274	204
Prior years' deferral being amortized	11	17	16	22
Deferral:				
Amortized over productive life	35	39	38	58
Amortized over shorter period	6	6	6	3
Amortization policy not indicated	13	16	22	N/C
Total	299	361	356	287
Number of Companies				
Using flow-through method	245	300	290	226
Using deferral method	54	61	66	61
No reference to investment credit	301	239	244	313
Total	600	600	600	600

N/C—Not compiled.

COOK PAINT AND VARNISH COMPANY

Notes to Financial Statements

Note C: Federal Income Taxes—Federal income taxes for the year ended November 30, 1969, have been reduced $140,000 for the 7% investment tax credit on qualified property purchased during the year. Taxes for the year ended November 30, 1970, applicable to the extraordinary credit, include $110,000 representing recapture of investment tax credit because of early disposition of the property.

The deferred federal income taxes arise from a difference, consisting principally of depreciation, between the income as shown by the tax return and books.

CROWN CENTRAL PETROLEUM CORPORATION

Notes to Consolidated Financial Statements

Note B:—As a result of the completion of the enlargement and modernization of its refinery, the Company has available an investment tax credit of approximately $3,190,000. The Company, under the flow-through method, has recognized in 1970 income $1,390,000 as investment tax credit carryback and $718,000 as a reduction of deferred income taxes. An investment tax credit carryforward of approximately $1,082,000 which has not been recognized in net income is available to reduce future taxes. Investment tax credit carryforwards expire beginning in 1977. Recoverable federal income taxes for 1970 consists of the investment tax credit carryback of $1,390,000 and a net tax operating loss carryback of $34,000. In 1969 the recoverable federal income taxes arose from payments in excess of the tax liability.

GENERAL ELECTRIC COMPANY

Financial Summary (page 30)

Provision for income taxes amounted to $220.6 million in 1970. 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, is based on the income and costs included in the earnings statement shown on page 27.

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 the earnings reported in the Company's 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 1970, timing differences include the reversing effect of the 1969 provision for 1970 vacation payments to striking employees which was not a contractual liability at December 31, 1969, and therefore not deductible for tax purposes until 1970.

Federal income taxes to be paid on undistributed earnings of foreign affiliates upon their transfer to domestic components are believed not to be significant.

U. S. Federal income tax returns of the Parent and domestic affiliates have been 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 $3.0 million in 1970 compared with $10.3 million in the prior year. In 1970, $9.4 million was added to net earnings compared with $9.0 million in 1969. At the end of 1970, the amount still deferred and to be included in net earnings in future years was $43.6 million. If the Company had "flowed through" the investment credit, this amount would have been included in 1970 and prior years' earnings.

Renegotiation is a net provision for that portion of earnings on prime and sub-contract sales to the U. S. Government which may later be claimed by the Government.

MONSANTO COMPANY

Financial Review

Income Taxes—The Company's federal income tax returns have been examined and closed for all years through 1964. Examination by the Internal Revenue Service of the returns for the years 1965 and 1966 has been largely completed, and the returns for the years 1967 and 1968 are presently under examination. It is believed that adequate provision has been made in the accounts for any additional taxes that may be assessed.

The Revenue Act of 1964 provided for a credit against federal income taxes equal to approximately 7 per cent of expenditures for machinery and equipment purchased and placed in service during the year. The Company has consistently followed the practice of reducing its provisions for current income taxes by the amount of its investment credits which aggregated $9,810,000 in 1970 and $6,765,000 in 1969. The amount for 1970 is stated before a reduction of $1,466,000, representing a recapture of the credit applicable to those facilities referred to under "Extraordinary Items—Net." The investment credit was terminated as of April 18, 1969 by the Tax Reform Act of 1969. Such termination, however, did not materially reduce the amount of credits available for the years 1970 and 1969, because of transitional rules. The credit for 1971, however, is expected to be nominal.

The consolidated effective income tax rate for 1970 was considerably lower than in 1969, caused primarily by increased investment tax credits and by a lower federal surtax rate.

TAX EXAMINATIONS AND RENEGOTIATION PROCEEDINGS

Chapter 11, Section B of *Accounting Research Bulletin No. 43* deals with accounting for government contracts subject to renegotiation. Table 3-20 shows that 46 companies referred to renegotiation proceedings or to renegotiable sales and that 117 companies referred to tax examinations by the Internal Revenue Service. Examples of disclosure of tax and renegotiation examinations follow.

TABLE 3-20: TAX EXAMINATIONS AND RENEGOTIATION PROCEEDINGS

	1970	1969	1968
Tax Examination Reported			
Liability for assessment provided	20	24	23
No provision for possible additional liability	45	36	50
No mention of additional assessment	52	80	71
Total	117	140	144
Renegotiations Proceedings Reported			
Provision made for possible liability	6	4	7
No provision made for renegotiation	40	59	45
Total	46	63	52
Number of Companies			
Reporting on tax examinations or renegotiation	138	188	.
Not reporting on such matters	462	412	.
Total	600	600	

Additional Tax Assessments—Liability Provided

ALAN WOOD STEEL COMPANY

Notes to Consolidated Financial Statements

Note 3: Federal Income Taxes—In February, 1969, the Internal Revenue Service submitted a report in which substantially all of the depletion deductions and certain other expenses claimed by the Company in its federal income tax returns for the years 1963 through 1965 were disallowed. As a result, the Internal Revenue Service has proposed assessments aggregating approximately $2,580,000 for the three years. The Company is contesting a portion of such assessments and believes, on the basis of a previous settlement of the depletion deduction for 1958 through 1962, that adequate provision has been made for possible additional income taxes, if any, that may ultimately be determined to be due for the years involved and subsequent years.

The investment tax credit for the years ended December 31, 1970 and 1969, which was applied as a reduction to the current tax provision, amounted to approximately $133,000 and $220,000 respectively. Investment tax credit carryforwards from prior years have been reflected as extraordinary items in the accompanying consolidated statement of income and retained earnings for the years ended December 31, 1970 and 1969 in the amounts of $192,000 and $1,358,000, respectively.

BOTANY INDUSTRIES, INC.

Notes to Consolidated Financial Statements

Note 4: Federal Income Taxes—Income tax returns are filed on a consolidated basis utilizing a year ending December 31. For financial reporting purposes, installment sales are credited to income at the time of sale, whereas for income tax purposes, the gross profit from such sales is reported on a basis of cash collections. Further, for financial reporting purposes depreciation and amortization are computed on the straight-line method, whereas for income tax purposes, depreciation is computed on an accelerated method. Credits for Federal income taxes in the accompanying consolidated statement of operations and earned surplus include reductions of previously accrued deferred taxes of approximately $2,300,000.

Examinations by the Internal Revenue Service of the companies' liabilities for the years 1965 through 1968 are currently in progress. Deficiencies, which the Company is contesting, aggregating approximately $1,800,000 plus interest for the years 1960 through 1964 have been asserted by the Internal Revenue Service. Based upon discussions with the Internal Revenue Service, the Company has reason to believe that any possible assessments for such years will be less than the amounts proposed. Accordingly, the accrual for Federal income taxes is believed to be sufficient to cover any liability which may arise from the asserted deficiencies and from examinations in progress.

CHEMETRON CORPORATION

Notes to Consolidated Financial Statements

Note 5: 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 $725,000 in 1970 (net of $319,000 relating to extraordinary charges) and $2,032,000 in 1969 (including $463,000 relating to the net extraordinary credit).

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 generated and deferred in 1970 was $647,000 as compared to $1,216,000 in 1969. The amortization of investment credit increased net earnings by $945,000 and $881,000 in 1970 and 1969, respectively.

The Internal Revenue Service is examining the Federal income tax return of the Company and certain subsidiaries for the years 1966 and 1967. In connection with their examination, adjustments to taxable income have been proposed and are the subject of discussion with the Internal Revenue Service. The Company is of the opinion that taxes which may become payable as a result of the adjustments now under discussion have been adequately provided for.

LESLIE SALT CO.

Notes to Financial Statements

Note 6: Income Taxes—Provision (credit) for income taxes consists of:

	1970	1969
Current	$122,000	$(961,000)
Deferred	103,000	762,000
Investment credit		(60,000)
Total	$225,000	$(259,000)

The current portion of the provision for income taxes for 1970 is provided to cover estimated amounts which may become due for 1965-1969 tax returns currently under examination by the Internal Revenue Service. Management believes that adequate provision for income taxes has been made for all open years.

Deferred taxes on income results from timing differences between the reporting of depreciation, interest, and property taxes for financial purposes and the reporting of such items for income tax purposes. For financial statement purposes, depreciation is recorded under the straight-line method over estimated useful lives or applicable lease terms, but for income tax purposes depreciation is computed based on shorter lives established by taxing authorities. Interest and the major portion of property taxes relating to real estate development are added to the development cost in the financial statements and until January 1, 1970, such interest and taxes were deducted in income tax returns. As a result of the net operating loss for tax purposes, only a minimum amount of income taxes are applicable to the extraordinary items. The net operating loss carry-over available to reduce future consolidated taxable income approximates $300,000 and expires December 31, 1975.

Additional Tax Assessments—Liability Not Provided

AMERICAN MAIZE-PRODUCTS COMPANY

Notes to Financial Statements

Note 1:—The Company's federal income tax returns for 1966 and 1967 are currently being audited by the Internal Revenue Service. The examining agent has suggested certain adjustments which he contends arise out of the alleged acquisition of a non-depreciable intangible asset, in the nature of goodwill, when the assets of Swisher were purchased in 1966. If the agent's position is sustained, an additional liability for federal income taxes of up to approximately $2,600,000 would become payable. It is management's belief, based on the opinion of counsel, that the position of the Internal Revenue Service is without merit. The Company is and plans to continue contesting the proposed adjustments. It is not presently possible to determine the additional tax liability, if any, which may ultimately be payable. Accordingly, no provision has been made therefor in the accompanying financial statements.

GRUEN INDUSTRIES, INC.

Notes to Consolidated Financial Statements

Note 6: Federal Income Taxes—As a result of examination of the Company's Federal Income Tax returns for the three years ended March 31, 1969, the Internal Revenue Service has proposed deficiencies totalling approximately $235,000 in additional taxes. The Company has filed a protest against these proposed deficiencies and, in the opinion of management and the Company's counsel, the Company should prevail and, accordingly, no additional taxes have been 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.

HERFF JONES CO.

Notes to Financial Statements

Note 5 (in part): Federal Income Taxes— In connection with the examination of the Company's income tax returns for the years 1964 through 1968, the Internal Revenue Service proposed additional income taxes of $610,000 relating to inclusion of customers' deposits in taxable income in the year received rather than year of shipment. In August, 1970, the Service announced that it was ceasing its prior position in this type of transaction and would conform to the generally accepted accounting principle of recognizing income for such deposits in the year of shipment. The Company thus expects the Service to close its examination without assessment of the additional tax proposed of $610,000, although no official word has yet been received.

P. R. MALLORY & CO. INC.

Notes to Financial Statements

Note 3: Federal Income Taxes—The Internal Revenue Service has examined the Company's income tax returns for the three years ended December 31, 1968 and proposed certain adjustments thereto. The Company has agreed to a partial settlement of these adjustments and the resulting additional taxes have been provided for in the accounts. The remaining proposed adjustment involves the Service's position that the Company should use an accounting practice which would increase the valuation of the Company's inventories, thereby increasing tax liabilities and retained earnings. The additional deficiency based on the remaining adjustment proposed by the Service, if sustained, would not exceed $860,000. However, legal counsel is of the opinion that meritorious defenses exist as to this adjustment and that additional taxes, if any, payable by the Company in final settlement will be substantially less than the asserted deficiency. Although the ultimate disposition of this matter is indeterminate at this time, management is of the opinion that any additional taxes which might become payable as a result of this controversy will not have a material adverse effect on the financial position or results of operations of the Company.

PHOENIX STEEL CORPORATION

Notes to Financial Statements

Note 7: Taxes on Income—The Company began depreciation of its new facilities in 1968 for federal income tax purposes in accordance with a change-of-method election filed with Internal Revenue Service. Consistent with past practices, depreciation for book purposes began in 1969 (the year following completion). Depreciation is calculated on the straight-line method for book and financial accounting purposes and on an accelerated method, using Internal Revenue Service guideline lives, for federal income tax purposes. Income taxes applicable to the excess of tax depreciation over book depreciation are provided for as deferred taxes when the tax benefit from the excess deductions is realized.

No federal income taxes were payable on 1970 or 1969 operations. As of December 31, 1970, a tax loss carryforward of approximately $28 million is available to offset otherwise taxable income during the next five years. The tax loss carryforwards of $7 million, $10 million and $11 million expire in 1973, 1974 and 1975, respectively. The corresponding book loss carryforward is approximately $24 million.

Investment tax credits of approximately $4 million at December 31, 1970 are also available for direct reduction of federal income taxes during future years, subject to prescribed Internal Revenue Service utilization rules. The credit expires in various amounts through 1976 with the major portion of approximately $3 million expiring in 1975.

The Internal Revenue Service has conducted an audit of the Company's income tax returns for the years 1962 through 1966, inclusive, and has issued a report showing proposed adjustments increasing reported net income by approximately $11 million. A significant portion of these adjustments relate to proposed capitalization of repair costs and other items which would result in future depreciation deductions. The Company will contest the items comprising the major portion of the agent's total adjustments. To the extent the agent's adjustments are sustained, the Company's net operating loss carryforward would be reduced.

WARD FOODS, INC.

Notes to Financial Statements

Federal Income Taxes—As of December 26, 1970 a subsidiary of the Company had a loss carryforward amounting to approximately $700,000 which is available to reduce future income tax provisions in 1971 and 1972 to the extent that the subsidiary has taxable income during that period.

Taxes on foreign income are computed at the appropriate rates which are lower than those in effect in the United States.

The consolidated financial statements are subject to final determination of income taxes of the Company since 1957. The Internal Revenue Service has examined the Company's income tax returns for the six fiscal years ended December 28, 1963, and has proposed an additional assessment of approximately $900,000, plus interest since 1958. The Company on advice of counsel has filed a protest contesting the entire tax liability. In the opinion of management, the ultimate outcome of these matters is not presently determinable and no provision has been made in the accompanying financial statements for additional liabilities, if any, which might arise. Any material liabilities which might arise from a settlement of this matter would result in a charge to retained earnings as an adjustment related to prior years.

Years Examined Disclosed

AEROSOL TECHNIQUES, INCORPORATED

Notes to Consolidated Financial Statements

Note B: Federal Income Taxes and Deferred Federal Income Taxes—The Federal income tax returns of the Company are presently being examined by the Internal Revenue Service through the fiscal year ended September 27, 1969, and the returns of the subsidiaries have been examined for varying periods. In the opinion of management, adjustments resulting from such examination, if any, will not be material. The financial statements submitted herewith are subject to final determination of Federal, state and local taxes for unexamined periods.

Deferred Federal income taxes represent the estimated amount of such taxes deferred as a result of the use of accelerated depreciation methods for Federal income tax computations rather than the straight line method used for financial reporting purposes.

INTERLAKE, INC.

Notes to Financial Statements

Note 8: U. S. and Foreign Income Taxes—The consolidated tax provision results in an effective tax rate lower than prevailing rates due principally to percentage depletion allowances, lower tax rates applicable to certain dividend income and capital gains, investment tax credits and, in 1970, the charitable contribution of certain properties having a fair market value in excess of the amount recorded for financial purposes.

As of December 31, 1970, federal income tax returns for the years 1961 through 1966 are being examined by the Internal Revenue Service. The Company believes that adequate provision has been made for possible assessments of additional taxes.

Settlement of Tax Litigation

OXFORD INDUSTRIES, INC.

Notes to Consolidated Financial Statements

Note D: Income Taxes—Tax returns of the Company and its subsidiaries for the three years ended May 31, 1969 are currently being examined by the Internal Revenue Service. Subsequent to May 31, 1970, the Company agreed to additional taxes of $383,615 in final settlement of proposed tax deficiencies for the three years ended May 31, 1966. It is anticipated that this additional tax of $383,615, which is not reflected in these financial statements, should be recoverable through future reductions of taxable income by items which resulted in the additional tax, and therefore will not reduce either earnings or stockholders' equity.

Provision for income taxes includes the following:

	Year Ended May 31,	
	1970	1969
Current portion	$3,892,672	$3,409,326
Deferred portion	67,862	192,018
Less investment credit	(25,216)	(158,120)
	$3,935,318	$3,443,224

Deferred income taxes result from timing differences applicable to gross profit on installment sales being deferred for tax purposes, and accelerated depreciation on certain real property for tax purposes.

Liability Recorded for Renegotiation Refund

GRUMMAN CORPORATION

Current Liabilities:

Federal income and other taxes, and renegotiation (Note 4) $7,668,709

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.

Recently the statutory Renegotiation Board has made a determination that profits from renegotiable business during 1966 were excessive in the approximate amount of $4,200,000 after adjustment for state and Federal taxes measured by income. This determination represents a reduction of nearly $2,000,000 from the net amount of the refund recommended by the Eastern Regional Renegotiation Board for 1966, as reported in the Company's Annual Report for 1969. It is anticipated that the Renegotiation Board will issue an order directing the Company to make a refund of the amount which the Board determined to be excessive for 1966, and, in such event, the Company will petition the U. S. Tax Court for a redetermination of the Board's finding.

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 1970 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.

No Liability Recorded for Renegotiation Refund

BURNDY CORPORATION

Notes to Financial Statements

Note 10: Renegotiable Sales—Approximately 15% of the sales in 1970 and 20% of the sales in 1969 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 unallowable costs, if any, will not have a material effect on the financial statements of the Company. Renegotiation has been concluded through 1968 with no refund required.

PALL CORPORATION

Notes to Consolidated Financial Statements

Note 10 (in part): Contingencies and Commitments— Pall Corporation and its subsidiaries may be subject to renegotiation of government contracts and sub-contracts performed since August 1, 1956. With respect to all periods up to July 31, 1969, the Renegotiation Board has stated its intention not to take any action in the absence of unusual circumstances or subsequent indications of excess profits. In view thereof, no provisions have been made for this contingency for any past years, nor for the current year, since no precedent is available. In the opinion of management, operating results reported upon would not be materially affected.

THE SIGNAL COMPANIES, INC.

Notes to Financial Statements

Note 13 (in part): Commitments and Contingencies—At December 31, 1970, the companies had long-term leases covering certain facilities on which aggregate minimum rentals payable in 1971 will amount to approximately $8,399,000 (after deducting estimated sub-lease income). The leases expire at various dates in the future.

At December 31, 1970, Signal is contingently liable for obligations (approximately $73,000,000) of others to third parties which arose principally from sales of truck finance contracts, notes receivable, and in 1968, the sale of tankships.

Consolidated sales for the year ended December 31, 1970 include approximately $158,978,000 which are subject to renegotiation by the United States Government. Signal believes that renegotiable profits are not

excessive and, accordingly, no provision has been made for renegotiation refunds. Renegotiation clearances have been received for all such sales through 1969.

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.

Table 3-21 shows that 83 companies, 78 reporting on foreign subsidiaries only and 5 reporting on domestic subsidiaries only, described their policy as to providing for income taxes on undistributed earnings of subsidiaries. The relatively small number of companies describing such a policy is explained by the following factors: (1) many domestic subsidiaries are included in consolidated tax returns, (2) most dividends received by a corporation from its domestic subsidiaries are eligible for the 85 percent credit for intercorporate dividends, (3) 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.

Examples of disclosures concerning taxes on undistributed earnings of subsidiaries follow.

TABLE 3-21: TAXES ON UNDISTRIBUTED EARNINGS OF SUBSIDIARIES

Number of Companies	1970	1969	1968
Providing for taxes on undistributed earnings of subsidiaries	32	26	30
No provision for such taxes	51	51	41
No statement as to policy	443	431	434
Total companies with subsidiaries consolidated or carried at equity	526	508	505
No subsidiaries or all unconsolidated subsidiaries carried at cost	74	92	95
Total	600	600	600

Provision for Taxes

OSCAR MAYER & CO. INC.

Deferred Income and Income Taxes (Note E) $4,749,965

Note E: Deferred Income and Income Taxes—The Company provides currently for federal income taxes on all material items included in the statement of income, regardless of the period when such taxes are payable. Except for certain future tax benefits shown under current assets, the net total of such taxes not currently payable is included in the balance sheet under Deferred income and Income Taxes which comprises:

Taxes payable in future years as a result of differences between depreciation for financial reporting and for tax purposes	$2,070,200
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	1,328,380
Accumulated future tax benefits, primarily due to deferred compensation, which are deductible for tax purposes when paid	(544,500)
Unamortized investment credits which were treated as deferred income in the years in which the related properties were acquired and which are being amortized over the lives of such properties	1,705,385
Deferred income from sale of machine rights	190,500
	$4,749,965

UNION OIL COMPANY OF CALIFORNIA

Investment in Joint Venture Companies . $32,469,000

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 as follows:

	December 31, 1970	1969
Equity in undistributed earnings:		
Amount included in consolidated retained earnings	$15,422,000	$13,813,000
Amount included in deferred income taxes	1,674,000	1,502,000
	17,096,000	15,315,000
Cost of investments	15,373,000	8,988,000
	$32,469,000	$24,303,000

No Provision for Taxes

AIR PRODUCTS AND CHEMICALS, INC.

Note 2 (in part): Taxes and Depreciation—The Company permanently reinvests the earnings of European subsidiaries, and accordingly, has made no provisions for United States income taxes (net of foreign tax provision) that would have been due if dividends had been declared. Reference is made to the Financial Review section of this report for sales and net income of the European subsidiaries.

AMPCO-PITTSBURGH CORPORATION

Income before extraordinary credit	$2,042,077
Extraordinary credits, net of applicable income tax of $126,421 in 1969 (Note 2) .	305,323
Net income	$2,347,400

Note 2 (in part): Extraordinary credits—The extraordinary credit for 1970 represents restoration of U. S. income taxes provided prior to 1970 on undistributed earnings of foreign subsidiaries as a result of the change in method of providing for such taxes as explained in Note 8.

The 1969 extraordinary credit resulted from the condemnation of certain unused Corporation property by the Urban Redevelopment Authority of Pittsburgh. The Corporation continues its right to contest in court or negotiate an increase in the payment from the Authority.

Note 8 (in part): U.S. and Foreign Income Taxes— Beginning in 1970, U.S. income taxes are provided only on foreign subsidiary income to be distributed to the parent company since undistributed earnings are now considered permanent investments. In prior years such taxes were provided on all income of foreign subsidiaries. Net income before extraordinary credit for the year ended December 31, 1970 was increased by approximately $46,000 as a result of this change.

H. J. HEINZ COMPANY

Notes to Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all significant domestic and foreign subsidiaries. Consolidated net assets were in companies located as follows:

	Apr 29, 1970	Apr 30, 1969
Western Hemisphere		
United States and its possessions	$188,389,236	$132,941,330
Other	43,815,328	36,746,515
	232,204,564	169,687,845
Eastern Hemisphere		
British Commonwealth	86,190,056	84,076,915
Other	25,175,102	23,545,379
	111,365,158	107,622,294
	$343,569,722	$277,310,139

Accounts of foreign subsidiaries have been translated at appropriate exchange rates. Realization in U. S. dollars of assets located outside the United States is limited in certain instances by currency and other restrictions. No provision has been made for U. S. or foreign income taxes which may become payable when earnings of foreign subsidiaries are remitted as dividends; as to those subsidiaries where it is contemplated that earnings will be remitted, the credit for foreign taxes already paid generally offsets applicable U. S. income taxes. Operating accounts were translated at average rates of exchange prevailing during the fiscal year. Net unrealized gain on foreign exchange has been credited to the reserve for foreign currency translation losses. Of the consolidated net income for the year, $15,196,295 originated from subsidiaries located outside the United States and its possessions; dividends received by the Company from such subsidiaries during the year aggregated $10,706,381.

SEABOARD ALLIED MILLING CORPORATION

Notes to Consolidated Financial Statements

Note 6: Federal Income Taxes—No provision has been made in the accounts for Federal income taxes which would be payable if undistributed earnings of the Bahamian subsidiary were distributed to the parent company, since management of the company intends to permanently invest such earnings in foreign operations. Should such accumulated earnings be distributed, the resulting Federal income taxes (computed at current rates) would amount to approximately $540,000 of which $304,000 is applicable to 1970 and $140,000 is applicable to 1969.

The Federal income tax returns of the Company have been examined by the Internal Revenue Service through the year ended May 28, 1966.

UNION CARBIDE CORPORATION

Notes to Financial Statements

Note 6: Income Taxes—Provisions have been made for deferred income taxes where differences exist between the time in which transactions affect taxable income and the time in which they enter into the determination of income in the financial statements. The net current portion thereof, included in Income and Other Taxes, amounted to $18,659,000 in 1970 and $11,893,000 in 1969.

No provision has been made for additional taxes that might result from the distribution to the Corporation of unremitted earnings of subsidiaries, a substantial portion of which has been invested in working capital and plant expansion.

EXCISE TAXES

Forty companies referred to excise taxes in their 1970 annual reports. Most of the companies disclosing excise taxes do so in the income statement or in the notes to financial statements.

Examples of various treatments and presentations of excise taxes are shown below.

THE AMERICAN DISTILLING COMPANY

Sales:	
Gross including excise taxes	$144,681,064
Less excise taxes	109,619,560
Net sales	$ 35,061,504

FALSTAFF BREWING CORPORATION

Sales	$205,476,860
Less Federal and State excise taxes	61,864,229
Net Sales	$143,612,631

THE FIRESTONE TIRE & RUBBER COMPANY

Report to Stockholders (page 2)

Taxes totaled $333,626,688 consisting of income taxes $77,850,000; excise taxes $196,886,585; social security taxes $30,895,391; and property and miscellaneous taxes $27,994,712.

LIGGETT & MYERS INCORPORATED

Revenues	
Net sales (including excise taxes: 1970, $166,775,344)	$696,663,577
Royalties and other operating revenues	2,080,912
Total	698,744,489
Costs and Expenses:	
Cost of goods sold	$489,746,318

Operating Income and Sales by Product Line (page 2)

Net Sales (Excluding Excise Taxes):	
Tobacco Products	$247,812
Alcoholic Beverages	115,651
Pet Foods	129,642
Other	36,783
Total	$529,888
Net Sales (Including Excise Taxes):	
Tobacco Products	$383,471
Alcoholic Beverages	146,767
Pet Foods	129,643
Other	36,783
Total	$696,664

Disposition of Total Revenues for 1970 (page 14)

Cost of goods sold, exclusive of excise taxes	$322,971,000
Excise taxes	$166,775,000

PHILIP MORRIS INCORPORATED

Operating revenues	$1,509,540,000
Cost of sales:	
Cost of products sold	577,106,000
Federal and foreign excise taxes on products sold	519,216,000
Gross profit	$413,218,000

STANDARD OIL COMPANY (INDIANA)

Revenues:	
Sales and other operating revenues (including excise taxes)	$4,550,089,000
Costs, Expenses, and Taxes:	
Taxes	1,063,753,000

Notes to Financial Statements

Taxes—Taxes totaled $1,063,753,000 for 1970 and $973,207,000 for 1969. The principal taxes, including excise taxes on products sold, are shown below. Federal taxes on income were reduced by investment credits of $4,942,000 in 1970 and $11,787,000 in 1969.

(Thousands of dollars)	1970	1969
Excise taxes	$ 817,262	$748,519
Property taxes	54,548	51,313
Production taxes	34,909	32,060
Federal taxes on income		
Current	56,018	64,524
Deferred	42,201	19,859
State and foreign taxes on income	24,502	22,991
Social security taxes, corporation taxes, import duties, etc.	34,313	33,941
Total Taxes	$1,063,753	$973,207

FOREIGN OPERATIONS

Chapter 12 of *Accounting Research Bulletin No. 43* and paragraph 18 of *Opinion No. 6—Status of Accounting Research Bulletins* present a summary of generally accepted accounting principles pertaining to the treatment of foreign exchange.

TRANSLATION OF ASSETS, LIABILITIES, LOSSES AND GAINS

Table 3-22 shows the terms used by companies referring to foreign operations to describe the translation of foreign currency accounts into United States dollars. Few of these companies described their translation policies in detail. Translation policies for inventories and for long-term assets and liabilities were described by 19 and 6 companies, respectively.

Examples illustrating the description of translation policies follow.

TABLE 3-22: FOREIGN OPERATIONS—TRANSLATION TERMINOLOGY

Terms Used	1970	1969	1968	1967
Translated	159	137	125	115
Converted	38	45	44	45
Stated or expressed	18	21	18	21
Included	9	11	11	9
Other	3	4	4	9
Number of Companies				
Using descriptive words	227	218	202	190
Not describing translation process	219	239	230	210
Not making reference to foreign operations	154	143	168	200
Total	600	600	600	600

Translated

AMERICAN CHAIN & CABLE COMPANY, INC.

Notes to Financial Statements

Note 1:—The accompanying financial statements consolidate the accounts of the Company and its domestic, Canadian and English subsidiaries.

Net assets of Canadian and English subsidiaries and an English branch, translated at appropriate rates of exchange and included in the consolidations, amount to $14,502,000 in 1970 and $12,438,000 in 1969.

BORDEN, INC.

Notes to Consolidated Financial Statements

Note 1 (in part): Principles of Consolidation—After translation into equivalent United States dollars, subsidiaries outside the United States and Canada contributed the following amounts to the consolidated financial statements:

	1970	1969
Net sales	$137,120,000	$144,182,000
Company's equity in:		
Income before extraordinary items	8,832,000	8,343,000
Extraordinary items	–	(4,150,000)
Net income	8,832,000	4,193,000
Net assets	51,466,000	44,203,000

The assets and liabilities of subsidiaries outside the United States have been translated at year-end exchange rates except that property and equipment and related depreciation have been translated at approximate rates prevailing when the assets were acquired. Income and expense amounts have been translated at average rates prevailing during the year except for depreciation which was translated at the approximate rates prevailing when the depreciable assets were acquired.

CARNATION COMPANY

Notes to Consolidated Financial Statements

Note 2: Principles of Consolidation—The consolidated financial statements include the accounts of Carnation Company and all of its subsidiaries. Subsidiaries operating outside the United States and Canada are included on the basis of a fiscal year ending September 30.

After translation of foreign currencies into United States dollar equivalents, the following amounts are included in the consolidated financial statements for that portion of the Company's consolidated operations outside of the United States:

	December 31, 1970	1969
Net current assets	$30,900,057	$28,502,097
Net assets	59,014,805	55,689,446
Net income	9,163,359	10,013,431

Dividends remitted to the Company in United States dollars totaled $4,988,000 in 1970 and $8,021,000 in 1969.

Foreign current assets and liabilities are translated at appropriate year-end rates of exchange; capital assets and related depreciation are translated at the rates of exchange prevailing at dates of acquisition. Operating statements, except depreciation, are translated at an average rate.

No provision has been made for taxes which would be payable if undistributed earnings of the foreign subsidiaries were paid as dividends to the parent company, since these earnings have been invested in the business and are not currently available for dividend payments.

Investments in fifty-percent owned companies are stated at the Company's equity in underlying net assets of such companies. Investments in companies less than fifty-percent owned are carried at cost.

MERCK & CO., INC.

Note to Financial Statements (in part)

The consolidated financial statements include the accounts of the Company and all subsidiaries. The operations of Baltimore Aircoil Company, Inc. acquired on a pooling-of-interests basis in May 1970 for 398,464 shares of common stock, and a previously unconsolidated foreign company are included in the figures for 1969 and prior years which have been restated without material effect. The accounts of foreign subsidiaries and branches have been translated into United States dollars at the following rates of exchange: imported inventories, fixed assets, and related depreciation—at rates prevailing at dates of acquisition; net assets protected against exchange fluctuation—at rates fixed by contract; remaining net assets—at free rates in effect at year end; income and expenses other than depreciation and imported inventories—at average rates each month.

A summary of the net assets of consolidated foreign subsidiaries and branches, as translated into United States dollars and included in the consolidated balance sheets, follows:

(U.S. Dollars in Thousands)
1970

	Net Assets Subject to Exchange Fluctuation	Net Assets Not Subject to Exchange Fluctuation	Total Net Assets
Canada	$ 9,979	$ 22,587	$ 32,566
Other Western Hemisphere countries and Bermuda	10,164	52,401	62,565
England and Europe	10,176	43,618	53,794
Asia, Africa, and Australia	8,826	21,254	30,080
	$39,145	$139,860	$179,005

MONSANTO COMPANY

Financial Review (page 16)

Basis of Consolidation, etc. (in part)—In the consolidation of foreign subsidiaries, foreign assets and liabilities have been translated to United States dollars at approximate quoted year-end rates, except that fixed assets have been translated at approximate rates prevailing on the dates they were acquired, and depreciation computed at applicable rates on the resulting dollar amounts; capital stocks have been translated at approximate quoted rates when issued. Income and expense items, other than provision for depreciation, have been

translated at approximate quoted rates during the respective years. No provision has been made for income taxes on unremitted earnings of foreign subsidiaries since, in most instances, any U. S. income taxes payable on dividends which may be received from foreign subsidiaries would be substantially offset by foreign tax credits.

NATIONAL STARCH AND CHEMICAL CORPORATION

Financial Notes

Note 2: Translation of Accounts—The accounts of the Canadian companies have been translated into United States dollars as follows: net assets, at the exchange rate in effect at year-end except for property and investment accounts which were translated at historic rates of exchange; income and expense accounts, at the average rate of exchange prevailing during the year except for the provision for depreciation which has been translated on the same basis as the related asset accounts. The unrealized foreign exchange gain resulting from the year-end translation of net Canadian assets has not been brought into income but has been included under Deferred Other Credits. The accounts of the English, Mexican and Australian subsidiaries have been translated at appropriate rates of exchange.

Stated or Expressed

CHICAGO PNEUMATIC TOOL COMPANY

Notes to Financial Statements

Principles of Consolidation—The financial statements include all domestic and foreign subsidiaries. The accounts of foreign subsidiaries are expressed in United States dollars at current rates of exchange, except for property, plant and equipment and related depreciation which are stated at historical rates. Foreign net assets are included in the consolidated balance sheet at December 31, 1970 in the amount of $38,538,356 including net current assets of $29,924,733

CORNING GLASS WORKS

Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation—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

CROWN CORK & SEAL COMPANY, INC.

Notes to Consolidated Financial Statements

Note B: Foreign Subsidiaries—The accounts of the Company's foreign subsidiaries, all of which are included in the consolidated financial statements, have been expressed in U. S. dollars at rates of exchange prevailing at the end of the year or at historical rates of exchange as appropriate.

The combined net assets of the foreign subsidiaries reflected in the consolidated balance sheet at December 31, 1970 and 1969, respectively, were as follows: current assets $66,935,000 and $58,555,000; plant and equipment and other assets $83,066,000 and $69,640,000; current liabilities $30,201,000 and $25,846,000; long term indebtedness $9,773,000 and $7,599,000; income appropriated for future years' taxes $4,720,000 and $4,303,000; minority equity in subsidiaries $7,834,000 and $11,874,000.

The consolidated net income for 1970 and 1969 includes $8,167,000 and $7,135,000, respectively, representing the company's equity in the combined earnings of the foreign subsidiaries. Consolidated retained earnings at December 31, 1970 and 1969 includes $49,752,000 and $43,539,000, respectively, representing the company's equity in the cumulative combined retained earnings of the foreign subsidiaries.

THE TIMKEN COMPANY

Notes to Financial Statements

Note A:— The financial statements include the accounts of the Company and all of its subsidiaries. Net current assets of subsidiaries and divisions in countries other than the United States amounted to $36,596,699 at December 31, 1970, and $33,765,066 at December 31, 1969; and all other assets outside the United States amounted to $37,561,493 and $37,364,127 at the respective dates, stated at appropriate year-end rates of exchange for all items except properties, which are stated at rates prevailing in the year of acquisition. Net income from operations outside the United States amounted to approximately $9,850,000 in 1970, and $7,250,000 in 1969, the greater portion of which was remitted to the United States during each year.

Included

VEEDER INDUSTRIES INC.

Notes to Consolidated Financial Statements

Note A: Principles of Consolidation—The consolidated financial statements for 1970 and 1969 include the accounts of the parent company and all of is wholly owned subsidiaries, with the exception of the Brazilian subsidiary. The accounts of the foreign subsidiaries are included at appropriate exchange rates, which in the case of non-current assets are generally equivalent to the exchange rates at dates of acquisition. Intercompany accounts, sales and profits are eliminated in consolidation.

Consolidated retained earnings include undistributed retained earnings of foreign subsidiaries of approximately $3,605,000 at December 31, 1970 and $2,931,000 at December 31, 1969. These retained earnings may be subject to income and other taxes if and when remitted to the parent company.

TABLE 3-23: FOREIGN EXCHANGE ADJUSTMENTS

	1970	1969	1968	1965
Foreign Country				
Canada	14	4	7	5
Latin America	5	10	11	15
Germany	4	20	--	--
France	3	19	--	--
Other-identified	7	8	28	2
Not identified	65	58	48	21
Total	98	119	94	43
Accounting Treatment				
Income charge or credit	61	70	54	14
Extraordinary item	7	15	12	18
Charged to reserve	23	20	7	11
Other	7	14	21	11
Total	98	119	94	43
Number of Companies				
Disclosing foreign exchange adjustments	84	92	78	43
Not disclosing	516	508	522	557
Total	600	600	600	600

FOREIGN EXCHANGE ADJUSTMENTS

Opinion No. 9—Reporting the Results of Operations, in paragraphs 21 and 22, stipulates that a major devaluation of a foreign currency having a material effect on net income should be shown as an extraordinary item; whereas gains or losses from foreign exchange fluctuations, regardless of size, should be reflected in the determination of income before extraordinary items.

Foreign exchange adjustments reported in the 1970 annual reports of the survey companies were caused mainly by one or more of the following: continued declines in the value of several Latin American currencies, change from a parity rate to a floating exchange rate for the Philippine peso and Canadian dollar, devaluation of the Turkish lira and French franc, and revaluation of the West German deutschmark. The franc devaluation and deutschmark revaluation occurred in 1969 after certain companies had issued their 1969 annual report.

Examples of foreign exchange adjustment disclosures follow.

Income Charge

JOHNSON & JOHNSON

Costs and Expenses:	(000)
Cost of products sold	$508,588
Selling, distribution and administrative expenses	312,677
Depreciation and amortization of property, plant and equipment	31,784
Federal and foreign taxes on income (includes Federal Surtax of $1,622,000 in 1970 and $5,497,000 in 1969)	73,934
Provision for foreign exchange losses	806
Other expenses	5,277
Total costs and expenses	$933,066

Notes to Consolidated Financial Statements

Note 1 (in part):—Assets and liabilities are translated at the approximate year-end rates of exchange except for property, plant and equipment accounts which are translated at the approximate rates of exchange at dates of acquisition. Operating accounts, except for depreciation, are translated at approximate average rates for the respective years. Losses and gains resulting from translating asset and liability accounts have been reflected in net earnings.

ELI LILLY AND COMPANY

Costs and Expenses:	
Manufacturing costs of products sold	$212,076,340
Research and development	61,042,127
Marketing	101,720,966
Shipping	15,645,747
General administrative	57,727,776
Foreign exchange losses-Notes A and B	648,248
Other deductions	10,735,119
	$459,596,323

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. Fifty-percent interests in companies located in Spain and Japan are included in the consolidated financial statements for 1969 at cost and for 1970 on the equity method of accounting. The effect of this change is not material.

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:

	1970	1969
Working capital at end of year	$ 26,223,000	$ 27,885,000
Net assets at end of year	66,630,000	56,272,000
Net sales	163,451,000	135,157,000
Net income	25,351,000	21,210,000
Remittances of income and dividends	13,876,000	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.

THE PARKER PEN COMPANY

Cost and Expenses (including provision for depreciation of $1,134,610 in 1970 and $1,044,312 in 1969 computed principally on a straight line method)

Cost of products sold	$25,585,837
Marketing, administrative and other expenses	25,875,047
Interest expense	512,635
Foreign exchange losses (Note 1)	301,316
Total	$52,274,835

Note 1 (in part): Basis of Consolidation and Restatement—Starting in 1968, the Company entered into foreign currency exchange contracts where it was decided it would be prudent to protect assets located in foreign countries against official devaluation. Since this has become a continued business practice, in 1970 such gains and losses have been reflected with other foreign exchange variations in the statement of net earnings. Similar amounts previously reported as extraordinary items have been reclassified for comparability. Accordingly, the 1969 extraordinary charge of $298,907 net of taxes ($.23 per share) shown in the 1969 annual report has been reclassified by a charge of $633,540 to Foreign Exchange Losses and by a reduction of $334,633 to Federal, State and Foreign Income Taxes.

Extraordinary Charge

DEL MONTE CORPORATION

Financial Review (page 13)

Extraordinary Losses (in part):

Loss arising from devaluation of Philippine peso, $3,193,000, offset by gain in value of Canadian dollar, $403,000	$2,790,000

WARD FOODS, INC.

Extraordinary Charges:

Devaluation of Philippine Peso	$1,483,658
Costs incurred and provisions for costs to be incurred in connection with redeployment and consolidation of facilities (net of related income tax benefits of $2,635,982)	2,724,018
Total	$4,207,676

Notes to Financial Statements

Extraordinary Items: Devaluation—On February 21, 1970 the Government of the Republic of the Philippines announced that it would no longer support the peso for certain international transactions pertaining to the import and export of goods at the official exchange rate of 3.90 pesos to $1.00 U. S., which had been the basis for converting the accounts of the Philippine subsidiary.

Although the Company's operations in the Philippines were not adversely affected by this de facto devaluation and continue to be profitable, $1,483,658 has been charged as an extraordinary item, to reflect the reduction in the Company's investment resulting from translating the Philippine accounts into U. S. dollar equivalents.

Charged Against Reserve

AMERICAN-STANDARD INC.

Financial Review (page 24)

Reserve for Foreign Operations—The changes in the reserve for foreign operations were as follows

	1970	1969
	dollars in millions	
Unrealized exchange gains	$ 6	$ 5
Unrealized exchange losses	1	3 6
	$ 5	$(3 1)

Unrealized exchange gains were principally in Canada in 1970 and Germany in 1969. Unrealized exchange losses were principally in France and Brazil in 1969.

FORD MOTOR COMPANY

Notes to Financial Statements

Foreign Operations (in part):—The reserve for foreign operations is provided by periodic charges to income and is charged or credited, as appropriate, with abnormal foreign exchange revaluations and abnormal losses on foreign operations. As a result of restrictions imposed by the Peruvian Government on the automotive industry, Ford operations in Peru have been shut down for an indefinite period. A charge of $5.4 million was made to the reserve in 1970 for abnormal costs associated with the shutdown.

Unrealized Translation Gain Deferred

AVCO CORPORATION

Note 1: Basis of Financial Statements—For information on acquisitions and a disposition, Avco's consolidation policy and the accounting practices of Avco's life insurance subsidiaries, see the Financial Review beginning on page 13.

Approximately 75% of commercial inventories at November 30, 1970 was composed of motion pictures, real estate and amounts related to production of wing assemblies for Lockheed's 1011 jetliner. As is normal in such businesses, a substantial portion of these inventories will not be realized within one year. Reference is made to the comments in the Report of the Chairman and President with respect to uncertainties as to the L-1011 program.

At November 30, 1970, investments in subsidiaries and miscellaneous investments and other assets included an aggregate of $228,306,000 of intangible assets recognized in acquisitions, carried without amortization.

Canadian dollar amounts at November 30, 1970 have been translated at $1 Canadian=$.97 U. S. Prior to June 1970, when the Canadian government ceased to maintain its dollar at the established rate of $1 Canadian=$.925 U. S., Canadian dollar amounts were translated at the established rate. Of the resulting gain on translation, $17,131,000 have been deferred in the statement of combined financial position of Avco's finance subsidiaries at November 30, 1970, pending clearer indications of the rate of exchange which is likely to prevail between the Canadian and U. S. dollars in the future. Income and expense amounts since June 1, 1970 included in the related statement of combined earnings have also been translated at $1 Canadian=$.97 U. S., the approxi-

mate actual average rate during the period immediately following the action taken by the Canadian government. At November 30, 1970, $426,021,000 of receivables and $93,921,000 of liabilities of Avco's unconsolidated finance subsidiaries were represented by accounts to be settled in Canadian funds.

PALL CORPORATION

Notes to Financial Statements

Note 1: Consolidation of Statements— The statements of Pall Corporation are presented in consolidation with its subsidiaries, all wholly-owned. Intercompany transactions and unrealized profits in inventories have been eliminated.

The Consolidated Balance Sheet at July 31, 1970 includes the following United States dollar amounts in respect of the consolidated foreign subsidiaries:

Current assets	$5,245,602
Net fixed assets	2,856,821
Intangibles and other assets	91,417
Current liabilities	3,233,783
Long-term debt	168,000
Capitalized lease obligations	1,294,510
Unrealized gain on foreign exchange	87,293

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, 1970 which were $2.40 to the pound sterling, $0.97 to the Canadian dollar, $0.275 to the deutschmark and $0.08 to the Mexican peso. Income and expense items were translated at average foreign exchange rates in effect during the year. Unrealized gain on foreign exchange of $87,293 has been deferred in the accompanying balance sheet.

Hedging Procedures

BLUE BELL, INC.

Note Receivable, 7¾%—Due May 26, 1990 (Note 4) *$5,000,000*

Note 4 (in part): Long-Term Debt—On May 26, 1970, a foreign subsidiary of Blue Bell, Inc. borrowed the equivalent of $5,000,000 in local currency from an unrelated company and, simultaneously, Blue Bell, Inc. loaned $5,000,000 to the United States subsidiary of the foreign lender. Under concurrent agreements, these obligations are due in twenty years and may be prepaid after June 1, 1975, but only if the entire principal amount is repaid. If either borrower prepays its loan, the other borrower may either repay its loan or continue the indebtedness, but not beyond the original maturity, with the guaranty of the borrower's parent company.

G. D. SEARLE & CO.

Other Assets:

Parallel Loan Financing (Note 5) ....

Notes Receivable (7% and 7½%) of $13,440,000 less Notes Payable (8%) of $13,440,000 ....

Note 5: Parallel Loan Financing—Parallel loans are sterling borrowings by the Searle organization in the U.K. in return for the loan of U. S. dollars in an equal amount in the U. S. The loans mature in 1979 and 1985. In case of default by either party, principal and interest may be offset against the repayment obligation. The difference between the interest rates on the dollar and sterling loans is less than 1%. Each subsidiary's obligation is guaranteed by its parent.

LONG-TERM CONSTRUCTION-TYPE CONTRACTS

Long-term construction-type contracts may be accounted for by using the percentage-of-completion method or the completed-contract method. *Accounting Research Bulletin No. 45— Long-Term Construction-Type Contracts,* discusses the accounting for long-term construction-type contracts and makes recommendations for the selection of the accounting method. Table 3-24 indicates that 103 survey companies refer to long-term construction-type contracts in their annual reports. Of these companies, 43 disclose the method of accounting.

Examples of disclosures regarding long-term construction-type contracts are presented below.

Income Recognized on Percentage of Completion Basis

THE BABCOCK & WILCOX COMPANY

Consolidated Statement of Income and Retained Earnings

Sales (on percentage of completion method for long-term contracts) $826,424,077

Notes to Consolidated Financial Statements

Note 2: (in part)— With respect to long-term contracts, the company records sales and cost of sales by

TABLE 3-24: ACCOUNTING FOR LONG-TERM CONTRACTS

Basis for Recognizing Income	1970	1969	1968	1967
Percentage-of-completion	35	28	27	22
Completed contract	8	5	6	7
Not determinable	60	38	44	32
Number of Companies				
Referring to long-term contracts	103	71	77	61
Not referring to such contracts	497	529	523	539
Total	600	600	600	600

the percentage of completion method related principally to shipments or, in the case of nuclear contracts, to incurred direct labor. The costs recorded on uncompleted individual long-term contracts within each fiscal period are based upon estimates to complete. Cost estimates are reviewed periodically as the work progresses and adjustments, if any, proportionate to the percentage of completion are reflected in the period when such estimates are revised.

The completed contract method is followed for income tax purposes and provision is made currently for tax payments thereby delayed (1970—$8,202,000).

CURTISS-WRIGHT CORPORATION

Note to Financial Statements

Note 2: Accounting for Long-Term Contracts— The Company records profits on its long-term contracts on the percentage-of-completion basis, based primarily on current engineering estimates. The contract price and the estimated profit are accrued based on the percentage that costs to date bear to total estimated costs, except that projected losses are provided for in their entirety without reference to the percentage- of- completion. As contracts can extend over one or more years, revisions in cost and profit estimated during the course of the work are reflected in the accounting period in which the facts which require the revision become known.

CUTLER-HAMMER, INC.

Notes to Consolidated Financial Statements

Note (2): Inventories— Inventories are stated at the lower of cost (approximately 70 percent on the first-in, first-out basis and 30 percent on last-in, first-out basis) or market.

With respect to long-term contracts, the Company recognizes income and costs as follows:

(a) On a percentage of completion basis (related to costs incurred) for cost plus contracts and multi-year fixed-price contracts of a very significant size.

(b) On a percentage of completion basis (related principally to shipments) for other fixed-price contracts.

The completed contract method is followed for income tax purposes and appropriate deferred taxes have been provided.

As discussed in the Shareholders Letter on page 1, the Company adopted in 1970 a policy, prevalent in the industry, to accrue income on multi-year fixed-price contracts of a very significant size on the percentage of completion basis related to cost incurred rather than shipments. As a result, $717,000 profit on these contracts is included in the after-tax income for the year 1970. Since the adoption of this policy would not have had a material impact on earnings for 1969, those results have not been restated in the accompanying statements.

To Our Shareholders (in part):

In the past few years, the nature of the business at the Company's AIL Division has changed from being predominantly cost-type contracts, on which income is accrued as costs are incurred, to fixed-price contracts, on which income has been accrued as shipments are made. This has resulted in wide fluctuations in the income of the division since it is not unusual that on very large, multi-year fixed-price contracts more than a year will elapse, after start of work, before any shipments are made. In order to relate income more closely to effort and to eliminate distortion in reporting results of operations, the Company has, in 1970, adopted a policy to compute income on these large multi-year fixed-price contracts on the percentage of completion method based on costs incurred, which practice is common in the industry. This policy has been applied to two very substantial contracts and has resulted in the inclusion in 1970 of approximately $14,956,000 in sales and $717,000, or 21 cents per share, in after-tax income. Since the adoption of this policy would not have had a material impact on earnings for 1969, those results have not been restated in the accompanying statements.

THE MACKE COMPANY

Notes to Financial Statements

Note (1): Principles of Accounting— The Company records income from contracts on a percentage-of-completion basis. Proceeds from claims against customers, as well as adjustments arising out of contracts, are recorded in the year such claims or adjustments are settled. The accompanying statement of consolidated income includes $60,000 in 1970 and $285,000 in 1969 in sales and other income as a result of claims and adjustments settled for work completed in prior years.

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-free contracts as costs are incurred, and on units in manufacturing contracts as each unit is completed.

OTIS ELEVATOR COMPANY

Financial Review (Page 21):

Contract Revenue— Contracts completed in 1970 totaled $601,438,000, compared to $535,777,000 in 1969. Other revenue, consisting of apportioned administrative and sales overhead costs on uncompleted contracts, was $19,636,000 in 1970 compared with $25,224,000 in 1969. Uncompleted contracts at December 31, 1970, amounting to $891,864,000 and the unbilled amount of such contracts, of $528,728,000, are both record highs. They indicate a substantial backlog of business to start the 1971 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. Raw material and work in process at manufacturing locations is included on the Consolidated Balance Sheet under the caption "Inventories" and is stated at the lower of cost (first in; first out) or market. A substantial portion of such inventory is under manufacture for contracts in progress.

MINORITY INTERESTS

Table 3-25 shows that of the 204 survey companies indicating in their 1970 annual reports the existence of minority stockholder interest, 110 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.

Other Expense

ADAMS-MILLIS CORPORATION

Deductions from income:	
Cost of products sold	$42,396,471
Selling, administrative and general expenses	3,259,939
Interest expense	447,561
Minority interest in net earnings of subsidiaries	81,250
	$46,185,221

TABLE 3-25: MINORITY INTERESTS

Income Statement Presentation*	1970	1969	1968	1965
A: Listed among other expenses	52	53	50	42
B: Listed in separate section after income taxes	58	59	53	42
Minority interest exists, but share of income not disclosed	94	97	99	52
Number of Companies				
Minority interest disclosed	204	209	202	136
No indication of minority interest	396	391	398	464
	600	600	600	600

*Refer to Company Appendix Section—A: 165, 413; B: 233, 375.

CITIES SERVICE COMPANY

Costs and Expenses:	
Costs and operating expenses	$1,208,900,000
Selling, general and administrative expenses	158,100,000
Taxes, other than Federal and foreign income taxes	49,600,000
Depreciation, depletion, dry holes and lease cancellations	133,600,000
Interest expense	27,300,000
Federal and foreign income taxes	45,600,000
Income applicable to minority interests	1,100,000
	$1,624,200,000

CURTISS-WRIGHT CORPORATION

Costs and Expenses:	
Product and engineering	$244,023,874
Selling and service	14,209,257
Administrative and general	20,488,442
Interest	3,251,414
Minority interest in net income from continuing operations of subsidiaries	923,498
	$282,896,485

WHIRLPOOL CORPORATION

Deductions from income:	
Cost of products sold, excluding items shown separately below	$990,007,000
Selling and administrative expenses	94,769,000
Depreciation of plant and equipment	14,841,000
Amortization of tooling	14,947,000
Interest on long-term debt	6,054,000
Other interest expense	7,422,000
Minority interest in net losses of subsidiaries (credit)	(4,640,000)
Income taxes	42,900,000
	$1,166,300,000

In Separate Section After Income Tax

ADMIRAL CORPORATION

Income/(loss) before items listed below	$(10,233,323)
Provision/(credit) for income taxes—	
Federal and state	— — —
Foreign	2,985,179
Deferred—principally Federal (including in 1970 amortization of deferred taxes)	504,323
	3,489,502
	(13,722,825)
Minority stockholders' equity in net income of subsidiaries	598,454
Income/(loss) before extraordinary charges	(14,321,279)
Extraordinary charges	1,782,034
Net income/(loss)	$(16,103,313)

AMERICAN BRANDS, INC.

	(Thousands of dollars)
Income before provision for taxes on income and minority interest	$240,789
Federal, foreign and other taxes on income, including deferred income taxes, 1970, $2,944,000; 1969, $6,127,000	122,827
Income before minority interest	117,962
Minority interest in earnings of subsidiaries	9,779
Net income	$108,183

DOYLE DANE BERNBACH INC.

Income before taxes on income, minority interests and extraordinary items	$9,448,757
Provision for taxes on income—	
Federal and foreign	3,994,067
Other	960,159
	4,954,226
Income before minority intrests and extraordinary items	4,494,531
Income applicable to minority interests in foreign subsidiaries	49,852
Income before extraordinary items	$4,444,679

GENERAL MILLS, INC.

	(Thousands of dollars)
Earnings before taxes on income and before extraordinary items and other items shown below	$84,775
Taxes on income	44,090
Other Items:	
Share in earnings (loss) of 50% owned companies	218
Minority interests in net earnings of consolidated subsidiaries	(293)
Earnings before extraordinary items	$40,610

THE RUCKER COMPANY

Income (loss) before taxes on income, minority interests, and extraordinary items	$(3,855,287)
Provision (credit) for federal, state, and foreign income taxes	(1,812,000)
Portion of net income (loss) of subsidiaries attributable to minority interests	10,867
Income (loss) before extraordinary items	(2,054,154)
Extraordinary items, net of applicable income taxes	59,729
Net income (loss)	$(1,994,425)

XEROX CORPORATION

	(Thousands of dollars)
Income before income taxes	$432,938
Income taxes	211,800
Income before deduction of outside shareholders' interests	221,138
Outside shareholders' interests	33,447
Net Income	$187,691

EQUITY IN EARNINGS OR LOSSES OF INVESTEES

ARB No. 51, as amended by *Opinion No. 10,* stipulated that investments in unconsolidated domestic subsidiaries "should be adjusted for the consolidated group's share of accumulated undistributed earnings and losses since acquisition." *Opinion No. 18— The Equity Method of Accounting for Investments in Common Stock,* issued in March 1971 by the Accounting Principles Board, amends and supersedes *ARB No. 51* and *Opinion No. 10* to the extent that they relate to the equity method of accounting. The provisions of *Opinion No. 18—* which require that the equity method be extended to investments in foreign subsidiaries, corporate joint ventures and companies owned 20% or more— are effective for fiscal periods beginning after December 31, 1971.

Paragraph 19 of *Opinion No. 18* reaffirms a requirement stated in previous pronouncements that a company's equity in the earnings or losses of an investee be shown as a separate item in the income statement. Paragraph 19 states in part:

> c. The investments(s) in common stock should be shown in the balance sheet of an investor as a single amount, and the investor's share of earnings or losses of an investee(s) should ordinarily be shown in the income statement as a single amount except for the extraordinary items as specified in (d) below.
> d. The investor's share of extraordinary items and its share of prior-period adjustments reported in the financial statements of the investee in accordance with APB Opinion No. 9 should be classified in a similar manner unless they are immaterial in the income statement of the investor.

Table 3-26 shows that 154 survey companies disclosed their equity in the earnings or losses of in-

TABLE 3-26: EQUITY IN EARNINGS OR LOSSES OF INVESTEES

Amount of Equity Disclosed*	1970	1969	1968	1965
A: Shown among other income or expenses	91	78	80	56
B: Shown in separate section after income taxes	41	34	35	23
C: Disclosed in notes or elsewhere	22	43	13	N/C
Number of Companies				
Disclosing amount of current year's equity	154	155	128	79
Not disclosing amount of current year's equity	64	70	67	38
No unconsolidated subsidiaries or affiliates at equity	382	375	405	483
Total	600	600	600	600

N/C—Not compiled.
*Refer to Company Appendix Section—A: 56, 489, 588; B: 58, 186, 647; C: 298, 327, 455.

vestees. Of these companies, 132 showed the amount of equity in the income statement. The valuation bases of investments in investees are summarized in Tables 2-23, 2-24 and 2-25.

Other Income or Expense

AMERICAN SMELTING AND REFINING COMPANY

Sales of Products and Services	$717,836,000
Costs of Products and Services—exclusive of items deducted separately below	627,778,000
	90,058,000
Equity in Earnings of Companies Approximately 50% Owned (note 1)	58,119,000
Dividends, Interest and Miscellaneous Income	13,986,000
	$162,163,000

Note 1 (in part): Principles of Consolidation— Investments in companies approximately 50% owned (M.I.M. Holdings Limited, formerly Mount Isa Mines Limited, Southern Peru Copper Corporation, Asarco Mexicana, S.A., and three minor companies) are carried at cost plus equity in undistributed earnings since acquisition.

FMC CORPORATION

INCOME	
Sales	$1,330,493,533
Equity in earnings of affiliated companies (Page 23)	5,300,314
Other income	5,887,054
TOTAL INCOME	$1,341,680,901

Financial Review (Page 23)

Investments. Investments consist primarily of 50-percent owned companies, plus long-term interest-bearing notes receivable. Investments in the 50-percent owned companies and those affiliated companies in which FMC has an option to obtain a 50 percent equity interest are stated at cost plus FMC's interest in undistributed earnings since acquisition. In 1970, FMC's equity interest in the earnings of such companies totaled $5.3 million, of which $1.9 million was received in the form of dividends.

KOPPERS COMPANY, INC.

Other income	
Dividends, interest, etc.	$1,120,755
Profit on sale of capital assets	845,783
Equity in earnings of company approximately 50% owned, dividends received 1970—$11,520	890,640
	$2,857,178

LIGGETT & MYERS INCORPORATED

Costs and Expenses:	
Cost of goods sold	$489,746,318
Selling, administrative, and general expenses	119,482,032
Amortization of J&B franchise and excess of cost of investments in certain subsidiaries over equity in their net assets	2,740,973
Equity in net losses of unconsolidated foreign subsidiaries	2,357,000
Total	$615,326,323

OGDEN CORPORATION

Income:	
Net sales	$900,235,000
Service revenues	235,992,000
Total net sales and service revenues	1,136,227,000
Other income (including equity in net income of unconsolidated subsidiaries: 1970, $1,430,000)	7,757,000
Total income	$1,143,984,000

In Separate Section After Income Tax

AMERICAN STANDARD INC.

	dollars in thousands
Sales	$1,417,846
Cost and expense	
Cost of products sold	1,094,434
Selling and administrative	237,358
Research and product development	34,032
	1,365,824
	52,022
Other income	8,493
Interest expense	(41,818)
Income before taxes on income	18,697
Taxes on income (including deferred taxes of ($2,446) in 1970 and $12,201 in 1969)	7,900
	10,797
Equity in net income of	
Real estate subsidiary	1,747
Finance subsidiary	574
Income before extraordinary items	13,118

AMPEX CORPORATION

	($ thousands)
Earnings before taxes on income, equity in earnings of 50%-owned companies and extraordinary charge	$15,863
Taxes on income	8,710
Earnings before equity in earnings of 50%-owned companies and extraordinary charge	7,153
Equity in earnings of 50%-owned companies	7,384
Earnings before extraordinary charge	14,537
Extraordinary charge	(2,300)
Net earnings	$12,237

AVCO CORPORATION

	(Thousands of dollars)
Net sales	$757,801
Costs and expenses	
Cost of sales	620,756
Selling and administrative	93,857
Interest	58,092
Income taxes	(7,385)
	765,320
	(7,519)
Equity in net earnings of unconsolidated subsidiaries (including net realized capital gains: $558,000)	
Finance	20,616
Insurance	8,154
NET EARNINGS	$21,251

MAREMONT CORPORATION

Income from Consolidated Operations before Income Taxes and Extraordinary Items	$4,120,000
Provision for income taxes (not currently payable)	2,039,000
Income from Consolidated Operations before Extraordinary Items	$2,081,000
Equity in net income of unconsolidated subsidiaries (Note 1)	1,070,000
Income before Extraordinary Items	$3,151,000

Note 1 (in part) Principles of Consolidation— The Company consolidates all subsidiaries except for Maremont Acceptance Corporation, a wholly owned domestic finance subsidiary, and partially owned foreign subsidiaries in which Company ownership approximates 50% The Company's equity in the undistributed net income or loss of unconsolidated subsidiaries is reflected in the accompanying consolidated financial statements.

DISCONTINUED OPERATIONS

As indicated in Table 3-27, 105 companies disclosed discontinued operations in their 1970 annual reports. Paragraph 21 of *Opinion No. 9 – Reporting the Results of Operations* stipulates that material losses or gains from "the sale or abandonment of a plant or a significant segment of the business" should be shown as an extraordinary item. A footnote to paragraph 21 states: "Operating results prior to the decision as to sale or abandonment should not be considered an element of the extraordinary gain or loss."

Examples of losses and gains from discontinued operations follow.

TABLE 3-27: DISCONTINUED OPERATIONS

Income Statement Presentation	1970	1969
Operating results of discontinued operations included in other income or other expenses	9	7
Operating results of discontinued operations included in separate section after income taxes	27	7
Loss or gain from disposal of assets of discontinued operations shown as an extraordinary item	87	44
Total Presentations	123	58
Number of Companies		
Disclosing discontinued operations	105	47
Not disclosing discontinued operations	495	553
Total	600	600

Operating Results of Discontinued Operations Included in Other Income or Expense

COOK PAINT AND VARNISH COMPANY

Income (loss) before extraordinary credit (per share: 1970– $(.24); 1969– $1.47)	$(212,983)
Extraordinary credit:	
Gain on sale of net assets of operating division, less applicable income taxes of $867,000 ($1,069,000 current less $202,000 deferred credit)– Note B	1,468,036
Net income (per share: 1970– $1.41; 1969– $1.47)	$1,255,053

Note B—Sale of Operating Division The Company sold, for cash and capital stock of other corporation, the net assets of its Wallace Division as of July 31, 1970. Net assets sold consisted principally of accounts receivable, inventories and property, plant and equipment, less the balance due under terms of the Company's lease purchase agreements. Income before income taxes included in the statement of income and earned surplus attributable to the Wallace Division amounted to $302,000 for the period from December 1, 1969, to July 31, 1970, and the extraordinary credit of $1,468,036 arises from the sale of the Wallace Division amounted to $564,000 for the year ended November 30, 1969.

THE WURLITZER COMPANY

Earnings before extraordinary charge (per share– 1970, $.98; 1969, $1.75)	$1,206,030
Extraordinary charge (Note 4)	325,841
Net earnings for the year (per share– 1970, $.71; 1969, $1.75)	$880,189

Note 4: Extraordinary Charge— During the year the Company closed its band instrument plant because of unprofitable operations. Expenses incurred after the plant was closed and losses on the disposition of inventory, properties, and equipment (after income tax effect of $314,000) have been included as an extraordinary charge. The operating loss of this discontinued plant prior to its closing amounted to approximately $143,000 (after income tax effect of $156,000) and has been included in earnings before extraordinary charge.

Operating Results of Discontinued Operations Shown in Separate Section After Income Tax

BLISS & LAUGHLIN INDUSTRIES INCORPORATED

Income Before Income Taxes	$8,761,303
Provision for Income Taxes	3,900,000
Income from Continuing Operations	4,861,303
Income from Bank Subsidiary (acquired and sold in 1970) less related interest and income taxes (Note 5)	787,786
Income Before Extraordinary Item	5,649,089
Extraordinary Item—Gain on Sale of Bank Subsidiary, net of applicable income tax of $280,000 (Note 5)	698,802
Net Income	$6,347,891

Note 5: On December 1, 1970, the Company sold, at a gain, its 98.6% ownership of the issued and outstanding common shares of The National Security Bank of Chicago, acquired in January, 1970, for $15,295,543 ($10,000,000 in cash and a $5,295,543 note receivable due in varying installments, with a final maturity of December 1, 1980). The note receivable bears interest at the prime interest rate as in effect from time to time and is secured by a subordinated security interest in the common shares of The National Security Bank sold by the Company.

The Company's 98.6% share of the net income of The National Security Bank of Chicago for the eleven months ended November 30, 1970, less interest on the long and short term borrowings used to finance the acquisition of the Bank and applicable Federal Income Taxes, is segregated from continuing operations in the accompanying consolidated statement of income.

CURTISS-WRIGHT CORPORATION

Earnings from continuing operations	$3,382,227
Loss from discontinued operations	(4,831,658)
Earnings (loss) before extraordinary items	(1,449,431)
Extraordinary items	(3,188,585)
Net earnings (loss)	$(4,638,016)

Notes to Financial Statements

Note 8: Discontinued Operations— During 1970, it was decided to discontinue the operations of the Corporation's East Paterson facility, Levon Properties Corp. and the Dorchem and Dortech subsidiaries of Dorr-Oliver. It is expected that these operations will be completely phased out by late 1971. Provision for estimated costs and expenses resulting from the discontinuance of these operations has been charged to 1970 income as an extraordinary item.

Note 9: Extraordinary Items— Extraordinary items for the year 1970 comprise:

Estimated losses resulting principally from discontinuance of operations, less minority interest relating to subsidiary companies to be sold or liquidated, net of related income taxes of $1,798,000	$3,951,098
Recovery of federal and foreign income taxes resulting from carry-forward of net operating losses of subsidiaries	(762,513)
	$3,188,585

FANSTEEL INC.

	1970	1969
Income of continuing operations before provision for taxes on income	$2,516,159	$2,025,180
Provision for taxes on above income	1,380,000	1,150,000
Income of continuing operations before extraordinary losses	1,136,159	875,180
Income (loss) of operations sold (Note 1) less reduction for income taxes of $32,000 in 1970 and provision for income taxes of $450,000 in 1969	(50,737)	406,778
Income before extraordinary losses	$1,085,422	$1,281,958

Note 1 (in part): Principles of Consolidation—In February, 1971, the Company agreed to sell a division in exchange for 50,000 shares of Fansteel common stock and a secured note receivable of $1,218,000 due in varying instalments with interest at 1% over the prime rate in effect from time to time. The aggregate consideration to be received in 1971 is equal to the net assets sold.

Net sales of the operations sold or to be sold aggregated $6,358,000 in 1970 and $7,077,000 in 1969. The income (loss) from these operations for 1970 and 1969, exclusive of allocated corporate expenses, is set forth separately in the consolidated statement of income.

HOWMET CORPORATION

Income from continuing operations	$16,325,000
Income from discontinued operations	418,000
Income before extraordinary loss	16,743,000
Extraordinary loss on sale of Aerosystems Division	(3,073,000)
Net income	$13,670,000

Financial Review

Income from Discontinued Operations of $418,000 in 1970 includes the net income of the Howmedica Division prior to its spin off in May 1970, offset by the net operating loss of the Aerosystems Division for the period before the sale to Menasco Manufacturing Company.

Discontinued operations (in thousands):	1970	1969
Net sales	$17,438	$52,751
Income (loss) before income taxes	823	(539)
Provision (credit) for income taxes	405	(556)
Net income	$418	$17

An Extraordinary Loss of $3,073,000 (after income tax benefit) resulted from the sale of assets of the Aerosystems Division to Menasco Manufacturing Company in May 1970. Menasco assumed responsibility for performance of a long-term contract with McDonnell Douglas to manufacture up to $60,000,000 of landing gear for DC-10 jetliners. Howmet remains primarily liable under that contract although Menasco has indemnified Howmet against this liability. Menasco's net worth at June 30, 1970 was $19,179,000 (pending resolution of a $5,116,000 contingent liability), and net income for the fiscal year then ended was $1,929,000. Notes receivable from Menasco received in payment for the assets of the Aerosystems Division amounting to $9,416,000 are included in Howmet's balance sheet.

Income Tax—provisions were made in the following amounts (in thousands):

	1970	1969
Current income taxes applicable to continuing operations	$5,575	$14,913
Deferred income taxes applicable to continuing operations	8,857	4,960
Investment tax credit	(4,249)	(972)
	10,183	18,901
Current income taxes (benefit) applicable to discontinued operations	405	(556)
Current tax benefit applicable to extraordinary loss	(3,134)	---
Total provision for taxes	$7,454	$18,345

Disposal Costs of Discontinued Operations Shown as an Extraordinary Item

AMETEK, INC.

Income before extraordinary charge	$3,814,322
Extraordinary charge, less applicable federal income tax of $2,722,000 (Note 5)	2,810,000
Net income	$1,004,322

Note 5: Extraordinary Charge—During the year, the Company decided to close three of its plants and discontinue the manufacturing of certain product lines. Losses and costs incurred or anticipated as a result of such decisions have been reflected as an extraordinary charge in the accompanying consolidated statement of income and retained earnings. Net sales and operating losses of the operations discontinued during the year were approximately: 1970 (to date of discontinuance)—$3,400,000 and $470,000; 1969—$4,800,000 and $600,000.

ASHLAND OIL, INC.

Income before extraordinary items	$51,090,000
Extraordinary items (net), less related income taxes—Note B	(13,321,000)
Net income	$37,769,000

Note B: Extraordinary Items—The extraordinary items, less related income taxes, are:

Write-off of certain foreign petroleum properties and capitalized costs (less income taxes of $12,412,000)	$13,351,000
Write-off of domestic plant facilities which have been or will be abandoned, relocated, or sold (less income taxes of $3,713,000)	3,670,000
	17,021,000
Gain on sale of stock of American Independent Oil Company (less income taxes of $1,384,000)	(3,700,000)
	$13,321,000

ASSOCIATED BREWING COMPANY

Income before extraordinary item	$293,000
Extraordinary Item:	
Loss arising from closing and disposing of plant, net of tax benefits (Note 2)	(1,091,000)
Net income (loss)	$(798,000)

Note 2: Closing and Disposing of Plant—In late 1970, operations were discontinued at the Chicago brewery and the facilities were sold. The loss on the sale and the related closing costs have been charged to income as an extraordinary item in the amount of $1,091,000 after deducting tax benefits of $920,000.

DRAVO CORPORATION

Income before extraordinary item	$3,887,869
Extraordinary item	2,616,314
Net income	$6,504,183

Notes to Consolidated Financial Statements

Extraordinary item—This credit is net of provisions for income taxes of $1,708,000 and minority interest of $654,078. It results from the sale of part of the property used in sand and gravel operations in Washington, D.C. Future operations in the area will not be adversely affected by this sale.

W. R. GRACE & CO.

	in thousands
Income before extraordinary items	$51,282
Extraordinary items, net of related income taxes of $8,825,000—Note 5	(21,039)
Net income	$30,243

Note 5 (in part): Extraordinary Items—1970

During the year, the Company disposed of certain chemical facilities and other non-profitable operations. These transactions resulted in net extraordinary losses as follows:

	Gross	Tax Effect (In Thousands)	Net
Losses (net of gains) and provisions for losses on:—			
Sales and abandonments of:			
Certain seed and fertilizer operations	$9,915	$2,098	$7,817
NTA manufacturing facilities	4,830	1,920	2,910
Remaining interest in foreign chocolate producer	5,263	3,144	2,119
Investments in consulting, service and other operations	5,244	2,372	2,872
	25,252	9,534	15,718
Adjustment of 1969 expropriation of Peruvian sugar properties and divestment of certain other investments in Peru—Note 1	4,612	876	3,736
Intraperiod tax effect of extraordinary items and other tax adjustments	---	(1,585)	1,585
	$29,864	$8,825	$21,039

OLIN CORPORATION

Income before extraordinary charges	$26,589,000
Extraordinary charges	26,023,000
Net income	$566,000

Financial Review

Extraordinary Charges—The extraordinary charges, net of income taxes of $25,356,000, consist of the following:

Losses estimated to be incurred in connection with the closing of certain operations where it is technologically impossible to meet new pollution standards (soda ash operation in Saltville, Virgin) or where it is not economically feasible to meet new pollution standards	$14,456,000
Provision for the discontinuance or write-down of certain unprofitable operations, principally the write-down of certain manufacturing facilities at Doe Run, Kentucky, to recognize permanent loss of utility	10,277,000
Losses relating to closing the company's military small-arms ammunition facilities, as a result of the United States Government's decision that all such ammunition be produced in Government-owned facilities	1,290,000
	$26,023,000

THE RUCKER COMPANY

Income (loss) before extraordinary items	$(2,054,154)
Extraordinary items, net of applicable income taxes (Note 4)	59,729
Net income (loss)	$(1,994,425)

Note 4: Extraordinary Items—

Extraordinary items consist of:	Gain or (Loss)	Income Tax Benefit (Provision)	Net Gain or (Loss)
Gains			
Gains on sales of business and business properties	$162,250	$(82,500)	$79,750
Losses			
Loss on sale of securities	(13,121)	6,300	(6,821)
Provisions for losses on long-term leases of properties no longer used in the business	(210,000)	107,100	(102,900)
Reduction in reserves previously provided for estimated losses from the disposal of certain business operations	183,000	(93,300)	89,700
	(40,121)	20,100	(20,021)
Total	$122,129	$(62,400)	$59,729

LAST SECTION OF INCOME STATEMENT

Table 3-28 summarizes the number of survey companies showing charges or credits, other than extraordinary items, after income taxes. Examples of last section items are presented in connection with Tables 3-25, 3-26, and 3-27. Additional examples follow.

TABLE 3-28: SEPARATE SECTION AFTER TAXES

Charge or Credit to Income	1970	1969	1968
Minority interest	58	59	53
Equity in earnings or losses of investees	41	34	35
Operating results of discontinued operations	27	7	6
Other	7	6	9
Total	133	106	103
Number of Companies			
Presenting separate last section	118	93	88
Not presenting separate last section	482	507	512
Total	600	600	600

COMMERCIAL SOLVENTS CORPORATION

Earnings from consolidated operations before federal and foreign income taxes	$3,323,091
Federal and foreign income taxes	1,441,084
Earnings from consolidated operations	1,882,007
Northwest Nitro-Chemcials Ltd. operations (after income tax benefits of $942,984 in 1970; $895,610 in 1969)	(1,003,516)
Earnings before extraordinary items	878,491
Extraordinary items net of income taxes	(6,623,897)
Net earnings (loss)	$(5,745,406)

Notes to Financial Statements

Extraordinary items: The Company discontinued manufacturing operations at certain obsolete plants during the year and has decided to discontinue operations at certain other facilities. In December 1970 the Board of Directors approved the write-off of these facilities, which resulted in an extraordinary charge to earnings of $2,469,000, after applicable income tax credit of $2,020,000.

At year end the Company sold 45% of the outstanding common stock of Northwest Nitro-Chemicals Ltd., reducing its investment to slightly less than 50% of the common stock outstanding, certain debentures and preferred stock. The revaluation of the Company's remaining investment and notes received from this sale to estimated value have been reflected by an extraordinary charge to earnings of $4,155,000. No effect has been given to possible income tax benefits, if any. Northwest's operations have been included as a separate item in net earnings through December 31, 1970, the date of the sale. Net sales of Northwest thus excluded from consolidated net sales were $6,735,000 and $8,998,000 in 1970 and 1969, respectively. Northwest was in the consolidated balance sheet in 1969 but was not consolidated at December 31, 1970, since it was no longer a subsidiary.

The condensed balance sheet of Northwest Nitro-Chemicals Ltd. at December 31, 1970 is as follows:

Current assets	$5,194,488
Property, plant and equipment (net)	9,260,230
Other assets	888,945
Total	$15,343,663
Current Liabilities	$3,358,870
Long-term debt	8,500,000
Shareholders' equity	3,484,793
Total	$15,343,663

LOEW'S THEATRES, INC.

	1970	1969
Earnings before security gains (losses) and extraordinary item	33,218,312	24,617,382
Security Gains (Losses):		
Realized gains (losses)	(11,020,540)	3,447,897
Less federal income taxes (benefits)	(5,396,088)	1,726,000
Security gains (losses)—net	(5,624,452)	1,721,897
Earnings before extraordinary item	27,593,860	26,339,279
Extraordinary item		
Gain on sale of Control Data Corporation common stock net of expenses, less federal income taxes of $1,990,000	---	5,282,955
Net earnings	27,593,860	31,622,234

EXTRAORDINARY ITEMS

Opinion No. 9—Reporting the Results of Operations states in part:

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 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.)

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, (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.

TABLE 3-29: EXTRAORDINARY ITEMS IN INCOME STATEMENT

	1970			1969
Nature of Extraordinary Item	Debit	Credit	Total	Total
Carry-forward of net operating loss	2	17	19	24
Other tax adjustment	3	6	9	12
Sale or other disposal	50	77	127	112
Foreign exchange adjustment	4	3	7	10
Disposal of discontinued operation	83	4	87	44
Other	64	21	85	45
	206	128	334	247

Number of Companies Presenting	1970	1969	1968
Extraordinary items	189	156	163
No extraordinary items	411	444	437
	600	600	600
Prior period adjustments—see Table 4-5	50	62	63
Direct charges or credits to retained earnings (other than capital items and pooling adjustments)—see Table 4-6	34	25	8

A total of 334 items (206 charges and 128 credits) were shown as *extraordinary items* in the 1970 income statements of the survey companies. Table 3-29, which summarizes the nature of *extraordinary charges and credits,* discloses that the majority of extraordinary credits were gains from sales or other disposals of assets and that the most frequently shown extraordinary charges were disposal costs of discontinued operations.

Table 3-30 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 foreign exchange adjustments (see Table 3-23) and disposal costs of discontinued operations (see Table 3-27), are shown below.

TABLE 3-30: EXTRAORDINARY ITEMS—MATERIALITY—1970

Listed Among Income Items of Other Costs	Percentage of Materiality*				Total Items
Debits	0-5%	6-10%	11-20%	21+%	
Disposal of discontinued operations	3	--	1	2	6
Sale or disposal	10	3	--	1	14
Devaluation of foreign currency	2	--	--	--	2
Total Debits	15	3	1	3	22
Credits					
Sale or disposal	16	7	2	2	27
Total debits and credits	31	10	3	5	49
Extraordinary Items					
Debits					
Disposal of discontinued operations	9	11	19	44	83
Sale or disposal	12	5	15	18	50
Other	18	16	11	28	73
Total Debits	39	32	45	90	206
Credits					
Sale or disposal	20	13	19	25	77
Tax adjustments	9	5	2	7	23
Other	11	5	4	8	28
Total credits	40	23	25	40	128
Total debits and credits	79	55	70	130	334

*Ratio of item to net income before extraordinary item.

Tax Adjustments

THE RATH PACKING COMPANY

Income before extraordinary credit	$804,176
Credit arising from utilization of net operating loss carry-overs (note 3)	803,000
Net income	1,607,176
Accumulated Deficit:	
Beginning of year	(6,566,964)
End of year	$(4,959,788)

Note 3: Federal Income Tax—No federal income tax is payable with respect to results of operations for the 1970 and 1969 fiscal years because of available net operating loss carry-overs from prior years. However, in the statement of income, provisions in lieu of federal income tax equivalent to the provisions for such taxes that would be required in the absence of the net operating loss carry-overs have been charged to income before extraordinary credit, and the credits arising from utilization of the net operating loss carry-overs have been reflected as extraordinary items.

The Company files its federal income tax returns on a calendar-year basis. The approximate net operating loss carry-overs available at December 31, 1969 and October 3, 1970 aggregate $7,410,000, expiring $4,750,000 in 1970 and $2,660,000 in 1971. There are also investment credit carry-overs of approximately $440,000.

Sale of an Investment Not Acquired for Resale

ALBERTSON'S, INC.

Earnings before extraordinary item	$4,667,811
Extraordinary item	
Gain on sale of securities— net of applicable federal and state taxes of $231,067	568,034
Net earnings	$5,235,845

THE DOW CHEMICAL COMPANY

Income before extraordinary items	$132,295,375
Extraordinary items—net of tax (Note B)	(28,908,208)
Net income	$103,387,167

Note B: Extraordinary Items—During 1970, Phrix-Werke A. G., a 50%-owned German fiber producer, experienced financial difficulties which resulted in a decision to begin significant curtailment of its activities. While all factors regarding the future of Phrix were not determinable at December 31, 1970, Dow management considered its investment therein to be worthless. Accordingly, income was charged with $31,073,000, or $1.03 a share, representing the cost of the investment in Phrix, after income tax reduction of $12,294,000.

Investments in two additional 50%-owned companies were disposed of during 1970 at a profit of $2,165,000, or $.07 a share after income tax of $710,000.

The foregoing resulted in an extraordinary charge of $28,908,000, or $.96 a share.

J. RAY MCDERMOTT & CO., INC.

Net income before extraordinary items	$19,806,997
Extraordinary items (net of taxes on income)	8,109,045
Net income	$27,916,042

Notes to Consolidated Financial Statements

Note 13: During the year Company realized a gain of $11,822,814 from the sale of stock of the Offshore Company and certain equipment which after income taxes of $3,613,269 and supplementary compensation (net of income taxes) of $100,500, attributable to said gain, resulted in a credit to income of $8,109,045, which is included in the income statement as extraordinary items. Supplemental compensation attributable to extraordinary items has been reclassified for the fiscal year ended March 31, 1969.

ST. REGIS PAPER COMPANY

Earnings before extraordinary item	$32,021,000
Extraordinary item:	
Gain on the sale of minority interest in Tennessee River Pulp & Paper Company net of applicable taxes of $2,988,000	3,743,000
Net earnings	$35,764,000

Other

THE ANACONDA COMPANY

Income before extraordinary charge	$68,092,000
Extraordinary charge, less related income taxes of $1,155,000 (Note C)	4,305,000
Net income	$63,787,000

Note C: Extraordinary Charge: Peruvian Venture—In 1970, the Government of Peru issued a decree under which mining companies holding concessions in that country, including Anaconda's Cerro Verde property, were required to submit to the Government by September 30, 1970 specific plans for the development of such ore bodies and by December 31, 1970, definitive arrangements for financing their development. The decree provided further that if these requirements were not met the mining concessions would revert to the State.

The Government's further insistance that it receive management control of, and the majority equity position in, the Cerro Verde project made it impossible for the Company to complete the necessary financing arrangements within the allotted time. In view of the Peruvian Government's refusal to extend the December 31, 1970 deadline, the Company in November advised the Government that it would not proceed with the venture; accordingly, the mining concessions reverted to the Government. The Company's net investment in the project has been written off as an extraordinary charge in 1970.

POTTER INSTRUMENT COMPANY, INC.

Income before extraordinary item	$2,367,215
Extraordinary items, less applicable taxes of $1,191,670 (Note 7)	(1,094,305)
Net income	$1,272,910

Note 7: Settlement Agreement—In February 1970, the Company settled its litigation with Management Assistance, Inc. (MAI). The settlement agreement, which terminates on February 28, 1975, provides for cash payments to MAI not to exceed $5,600,000, but not less than $2,160,000. Payments are made quarterly, based on the number of units of specified equipment sold, leased, or otherwise marketed by the Company. If the aggregate of such quarterly payments are less than $1,350,000 on August 31, 1973 or less than $2,160,000 on August 31, 1974, the Company is required to remit such difference to MAI.

In addition to the cash payments, additional benefits accrue to MAI based on the number of units of specified equipment ordered by MAI prior to March 1, 1971. The aggregate cash payments and other benefits accruing to MAI are limited to $6,250,000.

The minimum payable under this agreement, plus related legal expenses, has been included as an extraordinary item in the accompanying statement of income.

TOBIN PACKING CO., INC.

Income before extraordinary item	$927,290
Extraordinary item—loss on leased plant facilities, net of applicable income taxes (Note 2)	127,800
Net income	$799,490

Note 2: Loss on Leased Plant Facilities—Loss on leased plant facilities has been provided in the amount of $277,000, less income tax benefit of $149,200, for costs and expenses incurred or anticipated, including loss on disposal of equipment, with regard to a leased plant which the Company previously operated.

Arrangements were completed by the Company in November 1970 for the assignment of its obligation under a net lease agreement expiring in September 1977 with an annual rental of $101,400 for such plant facilities, to become effective in April 1971. The Company remains contingently liable for these rental payments in the event of default under this assignment agreement.

UNITED BRANDS COMPANY

	(Thousands of dollars)
Income before extraordinary items	$4,317
Extraordinary items (Note 8)	(6,408)
Net income (loss)	$(2,091)

Note 8 (in part): Extraordinary Items—

	(Thousands of dollars)
Loss resulting from flood damage	$(8,608)
Applicable income tax benefit	2,200
Extraordinary items	$(6,408)

EARNINGS PER SHARE

Opinion No. 15— Earnings Per Share States in Part:

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 ex-

traordinary items and (b) net income. It may also be desirable to present earnings per share amounts for extraordinary items, if any.

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.

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.)

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 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.

Table 3-31 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.

Examples of the presentation of earnings per share by the survey companies in their 1970 annual reports follow.

TABLE 3-31: EARNINGS PER SHARE—1970

Earnings Per Share Effect	Additional Shares Issuable For				
	Debt	Preferred Stock	Options	Warrants	Other
Included in primary per share calculation	36	14	61	17	19
Included in fully diluted per share calculation	79	96	78	9	12
No dilutive effect	51	53	117	24	20
Effect not disclosed	25	48	282	18	40
No additional shares issuable	409	389	62	532	509
Total	600	600	600	600	600

Earnings Per Share Shown	1970	1969	1968
Based on average shares outstanding	465	437	379
Basis not determinable	104	101	136
Based on shares outstanding at year end:			
Change in outstanding less than 3%	26	52	24
Change in outstanding greater than 3%	4	7	59
No earnings per share shown	1	3	2
Total	600	600	600

Primary Earnings Per Share Only

BATH INDUSTRIES, INC.

	1970	1969
Per Share of Common and Common Stock Equivalents		
Income before extraordinary items	$1.46	$1.58
Extraordinary items	(.99)	.20
Net income	$ .47	$1.78
Average Number of Common and Common Stock Equivalents Outstanding Each Year	4,766,339	4,817,020

Notes to Consolidated Financial Statements

Common and Common Stock Equivalents—Common and common equivalent shares for 1970 include the average number of shares of common stock outstanding (2,447,518) plus the average number of common shares issuable upon conversion or exercise of the company's convertible preferred stock (2,066,751), stock warrants (487,720) and stock options (214,498), less the common shares that could have been repurchased (450,148) with the proceeds available from the assumed exercise of outstanding warrants and options.

GENERAL MILLS, INC.

	53 Weeks Ended May 31,1970	52 Weeks Ended May 25,1969
Earnings Per Common and Common Equivalent Share:		
Earnings before extraordinary items	$1.88	$1.77
Extraordinary items	(.63)	.06
Net earnings	$1.25	$1.83
Average number of common and common equivalent shares	21,595	21,540

Accounting Methods used by General Mills

Earnings Per Share—In determining earnings per common share, we include the average number of common shares outstanding plus what are called "common

share equivalents." Common share equivalents include common shares which may be issued under varying circumstances in the future. For General Mills, these include:

- Shares to be issued as a result of possible conversion of preference stock.
- Shares for certain stock options.
- Treasury shares purchased for officers and employees under a profit sharing plan.
- Shares for the former stockholders of Kenner Products Company earned through profit performance under the contract for acquisition of this business.

McGRAW-HILL, INC.

Earnings per common share and common equivalent share (Note 8):

Income before extraordinary items	$.82	$1.02
Extraordinary items	.08	---
Net income	$.90	$1.02

Note 8: Earnings Per Common Share—Earnings per common share and common equivalent share are based on the average number of such shares outstanding during the year. Common share equivalents consist of the $5.50 preferred stock, $1.20 preference stock, 1¾ per cent convertible debenture and stock options. The number of shares issuable upon exercise of stock options has been reduced by the number of common shares assumed to have been purchased with the proceeds from the exercise of the options. Earnings per share are based upon 25,036,655 shares in 1970 and 25,044,751 shares in 1969.

The conversion of the 3⅞ per cent convertible debentures would not result in any dilution of earnings per share.

THE SIGNAL COMPANIES, INC.

	1970	1969
Earnings (Loss) Per Share:		
Income (loss) before extraordinary loss	$(2.37)	$2.52
Extraordinary loss	(.31)	---
Net income (loss)	$(2.68)	$2.52

Notes to Financial Statements

Note 12: Earnings (Loss) Per Share—Loss per share in 1970 (based on the net loss plus dividends paid to preferred shareholders during the year) was computed using the weighted average number of shares of common stock outstanding during the period (19,054,000 shares). Common stock equivalents (outstanding convertible preferred stocks, stock options, and warrants) are not included in the computation inasmuch as their inclusion would be anti-dilutive. In 1969, earnings per share was based on the weighted average number of shares of common stock and the above mentioned common stock equivalents outstanding during the year (20,756,000 shares).

THE UNITED STATES SHOE CORPORATION

	1970	1969
Earnings per common and common equivalent share (Note 8)	$1.53	$1.76

Note 8: Earnings Per Share—Earnings per common and common equivalent share were computed by dividing net earnings by the weighted average number of shares (adjusted for shares issued in connection with poolings of interests) of common stock and common stock equivalents outstanding during year. In determining the number of common shares and common share equivalents outstanding, the number of shares issuable upon exercise of outstanding options (see Note 6) was added to the shares actually outstanding in those instances where the average market price of the common stock during the year exceeded the exercise price of the particular options. Such resulting number was then reduced by the number of common shares which it is assumed could have been purchased with the proceeds from the exercise of the indicated options. In the latter instance, the purchases were assumed to have been made at the average market price of the common stock during the year. Earnings per common share—assuming full dilution are identical to earnings per common and common equivalent share in both 1970 and 1969.

Fully Diluted Earnings Per Share

INSILCO CORPORATION

	1970	1969
Earnings per common and common equivalent share (Note 8):		
Before extraordinary credit	$1.09	$1.35
Extraordinary credit	.11	---
Net earnings	$1.20	$1.35
Earnings per common share—assuming full dilution (Note 8):		
Before extraordinary credit	$1.06	$1.27
Extraordinary credit	.09	---
Net earnings	$1.15	$1.27

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, by the average number of common and common equivalent shares outstanding during each year (9,512,000 shares in 1970 and 9,648,000 shares in 1969). In computing such average number of 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.

Fully diluted earnings per share were determined on the assumptions that the average number of common shares outstanding was further increased (to 11,383,000 shares in 1970 and 11, 520,000 shares in 1969) by conversion at their respective dates of issue of 5% and 5¾% convertible debentures and 8% convertible preferred

stock outstanding at December 31, 1970 and 1969, respectively, and that interest, net of tax, on the debentures and dividends on 8% convertible preferred stock were eliminated.

GENESCO INC.

	1970	1969 Restated for Poolings of Interests
Earnings per common and common equivalent share		
Primary:		
Continuing operations	$2.07	$2.71
Discontinued operations	(.21)	(.18)
Before extraordinary loss	1.86	2.53
Extraordinary loss	(.21)	---
Net earnings	$1.65	$2.53
Fully diluted:		
Continuing operations	$1.90	$2.40
Discontinued operations	(.18)	(.16)
Before extraordinary loss	1.72	2.24
Extraordinary loss	(.18)	---
Net earnings	$1.54	$2.24

Financial Review

Following is a presentation of the various factors affecting the calculation of fully diluted earnings per common share. Earnings have been appropriately adjusted by eliminating interest or compensation, net of taxes, and dividends. In the case of options, exercise has been assumed as of the beginning of the year with the proceeds received applied to the purchase of treasury stock at the average market price during the year.

	1970		1969	
	Continuing Operations	Net Earnings	Continuing Operations	Net Earnings
Primary earnings per share	$2.07	$1.65	$2.71	$2.53
Conversions of senior securities	(.02)	(.01)	(.05)	(.05)
Conversions of employees' subordinated convertible preferred stock	(.13)	(.09)	(.20)	(.18)
Conversion of debt of nonconsolidated foreign finance subsidiary	(.02)	(.01)	(.04)	(.04)
Exercise of employee stock options	---	---	(.02)	(.02)
Fully diluted earnings per share	$1.90	$1.54	$2.40	$2.24

CUMMINS ENGINE COMPANY, INC.

Net earnings per share (Note 2):		
Primary	$3.20	$2.87
Fully diluted	$3.03	$2.72

Note 2: Earnings Per Share—Net earnings per share of common stock are based on the weighted average number of shares outstanding. Primary earnings per share assume conversion of the 3¾% Convertible Unsecured Loan Stock at date of issue, and exercise of stock options at the beginning of the year or date of grant, whichever is later. Fully diluted earnings per share assume, in addition, conversion of the 5% Subordinated Convertible Debentures at date of issue.

In computing the per share effect of assumed conversions (a) interest and debt discount and issue expense amortization (less income tax effect) on the loan stock and debentures have been added to earnings; (b) it has been assumed that funds obtained from the exercise of options have been used to purchase common shares at the current market price; and (c) the related additional common shares have been added to average outstanding common shares.

Prior to assumed conversions, net earnings per share were $3.27 for 1970 and $2.93 for 1969.

KINNEY NATIONAL SERVICE, INC.

	1970	1969
Net income (loss) per share (Note 11):		
Average common and common equivalent share	$1.90	$(.07)
Assuming full dilution	$1.74	---

Note 11: Net Income (Loss) Per Share—Net income (loss) per share in 1970 and 1969 is based on the weighted average of Common shares (1970—9,749,372; 1969—6,440,522) and, in accordance with the applicable accounting principles in effect during each of these years, gives effect to the conversion of Series A and Series D Preferred shares into Common shares (1970—6,833,932; 1969—9,281,631) and the conversion of applicable Convertible Subordinated Debentures into Common shares (1970—328,125; 1969—439,284) and the addition to net income of the interest, net of taxes, on such Debentures (1970—$159,000; 1969—$212,000) and, in 1970, the exercise of applicable stock options (112,075) and the use of the cash funds thereby obtained to acquire Common treasury shares (85,719); such per share amounts were determined after deducting dividend requirements on Series B and Series C Preferred shares (1970—$1,909,000; 1969—$1,998,000). The assumption of the conversion of the Series A and Series D Preferred shares and the Convertible Subordinated Debentures into Common shares and the result of not deducting the preferred dividend requirements on the Series A and Series D shares and of adding back the interest on the Convertible Subordinated Debentures have the effect of reducing the 1969 net loss per share.

Net income per share on a fully diluted basis was $1.74 in 1970; there was no dilution of net loss per share in 1969. Net income per share on a fully diluted basis further assumes (a) the conversion of Series B Preferred shares (and the elimination of the dividend requirements on the Series B shares) and (b) the conversion of all Convertible Subordinated Debentures (and the addition to net income of the interest, net of taxes, on such Debentures), and, gives effect to the possible issuance of additional Kinney securities under (a) stock option plans (and the use of the cash funds thereby obtained to acquire Common treasury shares) and (b) contractual commitments under stock agreements (see Note 8).

MARCOR INC.

	Fiscal Year Ended January 31, 1971	Fiscal Year Ended January 31, 1970
Net earnings per common share and common equivalent share (Note 10)	$1.77	$2.09
Net earnings per common share assuming full dilution (Note 10)	$1.50	$1.72

(10) Earnings Per Share—Earnings per share for the year ended January 31, 1971 reflect the two-for-one common stock split and have been calculated as follows:

	Common and Common Equivalent Shares	Assuming Full Dilution
Average number of common shares outstanding	25,743,703	25,743,703
Common stock equivalents due to assumed exercise of options	437,582	608,562
Increase in average number of common shares assuming conversion of outstanding Series A preferred shares	---	13,086,506
Common stock equivalents due to assumed exercise of Series A preferred stock options	---	314,428
Total Shares	26,181,285	39,753,199
Net earnings	$59,637,000	$59,637,000
Less—preferred dividend requirements based on average number of preferred shares and preferred equivalent shares outstanding during year	13,327,000	---
Net earnings used in per share calculations	$46,310,000	$59,637,000
Net earnings per share	$1.77	$1.50

MAULE INDUSTRIES, INC.

	1970	1969
Earnings per common share assuming no dilution: (Note 11)		
Income before extraordinary items	$.29	$1.07
Extraordinary items	.53	1.44
Net income	$.82	$2.51
Earnings per common share assuming full dilution: (Note 11)		
Income before extraordinary items	$.48	$.73
Extraordinary items	.28	.98
Net income	$.76	$1.71

Note 11: Earnings Per Common Share—Earnings per common share assuming no dilution are computed on the average number of common shares outstanding during each period after deducting preferred stock dividend payments. The 5,740 shares of common stock held in the Treasury have been deducted in arriving at the average number of common shares outstanding.

For the purpose of computing earnings per common share assuming full dilution, the above number of shares have been increased by the average number of shares which would have been outstanding assuming the conversion of the 7% Convertible Debentures, the 7½% Convertible Debentures, and the $100 Convertible Preferred and $25 Convertible Preferred (see Notes 6 and 7). The following tabulation summarizes the effect on the average number of shares which would have been outstanding assuming conversion:

	Total Common Shares	Average Number of Shares 1970	1969
7% Convertible Debentures	100,000	100,000	100,000
7½% Convertible Debentures	416,666	416,666	416,666
$100 Convertible Preferred	375,630	286,149	--
$25 Convertible Preferred	535,501	203,709	--
	1,427,797	1,006,524	516,666

Interest capitalized during the construction of the cement plant included applicable interest arising from the convertible debentures. In computing earnings per common share assuming full dilution, income before extraordinary items and net income have been increased for the appropriate after tax effect in 1970 of $216,152 in interest expensed on the convertible debentures subsequent to the completion date of the cement plant.

Common stock options (granted in November 1969) have not been considered in the earnings per share computations since their effect is anti-dilutive. The market price per share was less than the option price per share from date of grant through December 31, 1970.

Supplementary Earnings Per Share Data

THE DUPLAN CORPORATION

	1970	1969
Earnings per common share—assuming no dilution (Note 9)		
Income before extraordinary item	$2.66	$1.42
Extraordinary item, net of applicable taxes	(.41)	.11
Net income	$2.25	$1.53
Earnings per common share—assuming full dilution (Note 9)		
Income before extraordinary item	$2.25	$1.35
Extraordinary item, net of applicable taxes	(.31)	.09
Net income	$1.94	$1.44

Note (9): Earnings Per Share—Earnings per common share—assuming no dilution: Based on the weighted average number of shares outstanding during each year, as adjusted for the 2% stock dividend paid April 16, 1970, and the 100% stock distribution paid October 11, 1968, and after giving consideration to dividends on the shares of preferred stock $4.00 convertible, Series A.

Earnings per common share—assuming full dilution: Based on the weighted average number of shares outstanding during each year, as adjusted for the 2% stock dividend paid April 16, 1970, and the 100% stock distribution paid October 11, 1968, and after giving appropriate effect to the issuance of additional common shares upon conversion of long-term debt (Note 5); conversion of preferred stock (Note 6); exercise of stock options (Note 6); and for additional payments on acquisitions (Notes 1 and 5). As to the above convertible long-term debt, net earnings were adjusted for interest net of its tax effect.

Supplementary earnings per common share information: On November 11, 1970, 400,000 shares of common stock (including 219,249 shares authorized but unissued) were sold to the public (see Note 6). The borrowings under the Corporation's Term Loan Agreement (see Note 5) have been reduced by the amount of the net proceeds from the sale of such shares and by reduction in the amount of balances which are maintained with the banks participating in the Term Loan Agreement. As a result of the issuance of the above authorized but unissued common stock, the conversion price of the Corporation's 5½% convertible subordinated debentures was reduced from $50.00 to $48.47.

Assuming the above transactions had taken place at the beginning of fiscal 1970, net income per common share (after extraordinary item) assuming no dilution, for fiscal 1970, would have been $2.10 and net income per common share (after extraordinary item) assuming full dilution, for fiscal 1970, would have been $1.85.

Election Adopted for Securities Outstanding May 31, 1969

DAYCO CORPORATION

Earnings per Common Share—(Note F)

Assuming no dilution		
Before extraordinary item	$2.03	$2.82
Extraordinary gain	.03	---
Net earnings	$2.06	$2.82
Assuming full dilution		
Before extraordinary item	$1.47	$1.85
Extraordinary gain	.02	---
Net earnings	$1.49	$1.85

Note F: Earnings Per Common Share—Earnings per common share assuming no dilution have been computed based on the average shares outstanding during the year. Options granted prior to June 1, 1969, have not been classified as common stock equivalents and the effect of options granted after May 31, 1969, which are common stock equivalents, is not material.

Earnings per common share assuming full dilution have been computed assuming conversion of the 6% and 5¾% convertible subordinated debentures, the 4.65% convertible subordinated notes, and the Series A voting convertible preferred stock. The exercise of stock options is also assumed, however it has little effect as the exercise price for most options exceeded market price during most of the year. The conversions are assumed as of the beginning of the year and interest on the debentures, less tax effect, of approximately $2,060,000 has been added to net income. Also the preferred dividend requirement of approximately $420,000 is not deducted from net income in computing earnings per share assuming full dilution.

LONG-TERM LEASES—Disclosure by Lessors

Opinion No. 7 — Accounting for Leases in Financial Statements of Lessors sets forth two acceptable accounting methods for lessors (financing and operating), the circumstances under which a particular method is to be used, and the appropriate financial statement presentation for each method. Table 3-32 shows that 71 companies referred to their activities as a lessor in long-term lease agreements.

TABLE 3-32: LONG-TERM LEASES—DISCLOSURE BY LESSORS

Method of Reporting	1970	1969	1968
Operating method	34	35	36
Financing method	3	5	2
Both operating and financing methods	1	2	4
Leases referred to, but accounting method not disclosed	33	30	20
Total reporting	71	72	62
No indication of leasing activity	529	528	538
Total	600	600	600

Operating Method

AMERICAN STANDARD INC.

	Dollars in Thousands
Total current assets	$706,466
Rental equipment, at cost, net	8,179
Facilities, at cost	
Land	27,521
Buildings	229,275
Machinery and equipment	444,857
Improvements in progress	26,040

Financial Review (Page 23)

Rental Equipment—Construction equipment manufactured by the Company and marketed under sale/lease plans with customers is depreciated generally over four years on a straight line method. Revenue is recorded as earned. A summary follows:

	dollars in millions
Rental equipment, at cost	$12.0
Less: Accumulated depreciation	3.8
	$8.2

HONEYWELL INC.

	In Thousands
Property (less accumulated depreciation)	$995,021

Notes to Financial Statements

Note 3: Property—

Land	$17,894
Buildings and improvements	173,369
Machinery and equipment	318,274
Equipment leased to others	1,160,886
Construction in progress	6,920
Total	1,677,343
Less accumulated depreciation:	
Equipment leased to others	466,863
Buildings, machinery, etc.	215,459
Property—net	$995,021

Property is stated at cost, except for certain equipment manufactured by Honeywell Bull (formerly the Bull Companies). See Note 2 for information concerning methods for determining cost of manufactured computer systems. As of September 1, 1968, the Bull Com-

panies made certain revisions in their cost system which enabled them to determine the cost of manufactured equipment. Prior to that date cost of equipment was assigned an estimated value. It was General Electric management's opinion that the values assigned were stated conservatively.

Depreciation expense is computed principally using the straight-line method, except for certain of the assets acquired from General Electric for which depreciation expense is computed using an accelerated method. See Note 2 for information concerning a change in method as of October 1, 1970. The depreciable life of computer systems shipped subsequent to October 1, 1970 was changed to five years. Prior to that date, Honeywell used a six year life and the General Electric Computer Components used a five year life. This change did not have a material effect on 1970 net income.

Note 9: 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. Certain noncancelable long-term lease contracts of a foreign subsidiary have been recorded as sales. Future rentals sold to nonconsolidated finance subsidiaries as described in the financial review section of the 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 for operating leases.

Financial Review (Page 9)

The Company continued to finance its domestic and Canadian operations by selling portions of future rentals arising from computer transactions to Honeywell Finance Inc. and Honeywell Holdings Limited, Canada, our nonconsolidated finance companies. At year end, a total of $193 million of future rental income had been sold to these nonconsolidated 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 statement.

POTTER INSTRUMENT COMPANY, INC.

Property, plant and equipment—at cost (Note 3)	$11,150,113
Less: Accumulated depreciation and amortization	2,429,808
Net property, plant and equipment	$8,720,305

Note 1: Principles of Consolidation and Accounting—

During the current fiscal year, a subsidiary of the Company commenced leasing data processing equipment to customers. Such equipment is included in the balance sheet at cost and is being depreciated on a straight-line basis over an estimated useful life of five years. Rentals receivable under these leases are recorded in income as earned over the period of the lease.

Note 3: Fixed Assets—The fixed assets at June 27, 1970 and the estimated lives used in computing depreciation (under the straight-line method) and amortization are as follows:

	Cost	Accumulated Depreciation and Amortization	Net Book Value	Estimated Useful Life
Land	$852,937	$ ---	$852,937	---
Building and Improvements	2,728,226	386,155	2,342,071	8-40 Years
Equipment for Lease to Customers	3,486,470	90,322	3,396,148	5 Years
Machinery and Equipment	2,847,349	1,231,439	1,615,910	2-10 Years
Furniture and Equipment	1,068,940	652,893	416,047	4-10 Years
Automotive Equipment	45,423	16,868	28,555	3-4 Years
Leasehold Improvements	120,768	52,131	68,637	Term of Lease
	$11,150,113	$2,429,808	$8,720,305	

Financing Method

CONTROL DATA CORPORATION

Current Assets:

Receivables:

Current portion of long-term contracts receivable	$25,380,078
Long-term contracts receivable, less current portion (Note 3)	36,531,797

Note 3: Long-Term Contracts Receivable—Long-term contracts receivable relate principally to non-cancellable long-term lease contracts which are recorded as sales at the discounted present value of rentals to be collected less provision for other costs to be incurred over the lease periods.

MCA INC.

Other Assets

Receivable under long term lease (Note 3)	$7,413,000

Note 3: Property, Plant and Equipment—Plant and equipment, at cost, comprised:

	December 31	
	1970	1969
Buildings and improvements	$45,898,000	$42,895,000
Furniture, fixtures and equipment	27,909,000	26,245,000
Residual value of hotel	4,122,000	4,122,000
Leasehold improvements	3,413,000	3,047,000
	$81,342,000	$76,309,000

The company has leased a hotel to an operating company under a long term agreement, the remaining minimum lease period of which is 19 years. At December 31, 1970, in accordance with the financing method of accounting, aggregate minimum rentals, net of $8,605,000 of unearned finance charge revenues, 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 reviews the presentation of transactions, other than net income (loss) for the year, affecting the stockholders' equity accounts.

RETAINED EARNINGS

PRESENTATION OF CHANGES IN RETAINED EARNINGS

Table 4-1 shows the manner in which changes in retained earnings are presented. Examples of presentations of changes in retained earnings follow.

TABLE 4-1: PRESENTATION OF RETAINED EARNINGS TRANSACTIONS

Manner of Presentation*	1970	1969	1968
A: Combined statement of income and retained earnings	227	227	245
Separate statement of retained earnings:			
B: At foot of income statement	104	126	108
C: Elsewhere	134	110	160
D: Combined statement of retained earnings and additional capital (or stockholders' equity statement)	132	134	84
Changes shown in balance sheet	3	3	3
Total	600	600	600

*Refer to Company Appendix Section—A: 30, 99, 168, 336, 407, 606; B: 48, 153, 186, 198, 249, 363; C: 21, 123, 231, 420, 474, 550; D: 114, 141, 180, 222, 339, 390.

Combined Statements of Income and Retained Earnings

ADAMS-MILLIS CORPORATION

Statement of Consolidated Earnings and Earnings Retained

Years ended December 31, 1970 and December 31, 1969

	1970	1969
Net sales	$50,438,443	$45,424,537
Interest, dividends and other income	391,156	107,887
	50,829,599	45,532,424
Deductions from income:		
Cost of products sold	42,396,471	38,376,547
Selling, administrative and general expenses	3,259,939	3,153,842
Interest expense	447,561	368,119
Minority interest in net earnings of subsidiaries	81,250	71,007
	46,185,221	41,969,515
Earnings before income taxes and extraordinary charge	4,644,378	3,562,909
Provision for federal and state income taxes	2,373,873	1,768,630
Earnings before extraordinary charge	2,270,505	1,794,279
Extraordinary charge less tax benefits of $152,000	200,484	–
Net earnings	2,070,021	1,794,279
Earnings retained at beginning of year	9,185,798	7,759,669
	11,255,819	9,553,948
Deduct:		
Dividends on Common Stock ($ .20 per share in 1970 and 1969)	384,355	363,400
Miscellaneous pooling adjustments and expenses	–	4,750
Earnings retained at end of year	$10,871,464	$ 9,185,798

AKZONA INCORPORATED
Consolidated Statement of Income

	(in thousands of dollars) 1970	1969
Net sales	$362,037	$324,322
Interest and other income	1,635	1,608
	363,672	325,930
Cost of sales (excluding depreciation and depletion)	253,194	212,107
Depreciation and depletion	16,495	15,668
Selling, administrative and general expenses	43,482	36,627
Interest expense	4,625	3,593
	317,796	267,995
Income before taxes	45,876	57,935
Federal and state income taxes	20,813	28,072
Net income	25,063	29,863
Accumulated income reinvested in the business at beginning of year	175,244	115,940
Adjustments resulting from poolings of interests	(673)	41,160
	199,634	186,963
Dividends:		
Common stock—$1.10 per share	9,895	8,808
Paid by pooled companies	2,332	2,911
Accumulated income reinvested in the business at end of year	$187,407	$175,244
Net income per share based on average common shares outstanding	$2.25	$2.68
Net income per share assuming full conversion of convertible subordinated debentures from date of issuance (May 1969) .	$2.10	$2.56

HAZELTINE CORPORATION
Consolidated Statement of Income and Retained Earnings

	For the Year Ended December 31, 1970	1969
Revenues:		
Government and other contract sales	$56,444,512	$72,903,766
Patent and other income	2,973,648	3,325,279
Total revenues	$59,418,160	$76,229,045
Costs and expenses:		
Costs allocated to contract sales	$49,034,054	$63,390,234
Industrial products engineering, marketing and selling expenses	2,790,099	959,326
General and administrative expenses	4,916,163	4,975,936
Expenses applicable to patent and other income	751,919	738,403
Litigation expenses in connection with counterclaim in Hazeltine Research, Inc. v. Zenith Radio Corporation	136,046	278,058
Income taxes	762,000	3,010,000
	$58,390,281	$73,351,957
Net income	$ 1,027,879	$ 2,877,088
Retained earnings at beginning of year	15,460,445	20,421,677
	$16,488,324	$23,298,765
Less stock dividends, 25%—391,916 shares of common stock at market value on date of declaration	—	7,838,320
Retained earnings at end of year	$16,488,324	$15,460,445

Separate Statement of Retained Earnings

W. T. GRANT COMPANY
Statement of Earnings Retained for Use in the Business

	Year ended January 31, 1971	1970
Balance at the beginning of the year	$211,679,286	$189,606,659
Net earnings for the year	39,577,087	41,809,300
	251,256,373	231,415,959
Deduct:		
Cash dividends:		
3¾% Cumulative Preferred Stock—Four quarterly dividends of 93¾c each per share	395,031	456,858
Common Stock—Four quarterly dividends of 37½c and 35c respectively, each per share	20,426,251	19,279,815
Total cash dividends	20,821,282	19,736,673
Accumulated earnings retained for use in the business at the end of the year	$230,435,091	$211,679,286

Combined Statements of Retained Earnings and Capital Accounts

BLISS & LAUGHLIN INDUSTRIES INCORPORATED
Consolidated Statements of Additional Capital and Retained Earnings

	Years Ended December 31, 1970	1969
Additional Capital:		
Balance at beginning of year	$ 5,304,109	$ 3,478,516
Add (Deduct):		
Principal amount of convertible debentures in excess of par value of common stock issued upon conversion	1,222,740	2,040,765
Portion of cost in excess of par value of treasury shares issued for companies acquired	—	(120,232)
Other, net	(49,000)	(94,940)
Balance at end of year	$ 6,477,849	$ 5,304,109
Retained Earnings:		
Balance at beginning of year	$29,644,533	$26,911,444
Add (Deduct):		
Net income	6,347,891	6,893,430
Cash dividends paid ($1.00 per share in 1970 and 1969)	(2,794,494)	(2,711,785)
Portion of cost in excess of par value of treasury shares issued for companies acquired	—	(1,448,556)
Balance at end of year	$33,197,930	$29,644,533

ATLANTIC RICHFIELD COMPANY

Changes in Shareholders' Equity

	1970 Shares	1970 Amount	1969 Shares	1969 Amount
$3.00 Cumulative convertible preference stock				
Balance January 1 ...	2,464	$ 2,464	3,980	$ 3,980
Conversion of stocks and debentures	(390)	(390)	(1,522)	(1,522)
Employee stock options and awards ...	–	–	6	6
Balance December 31	2,074	2,074	2,464	2,464
$2.80 Cumulative convertible preference stock				
Balance January 1 ...	11,642	11,642	10,662	10,662
Conversion of stocks and debentures	99	99	900	900
Employee stock options and awards ...	3	3	80	80
Balance December 31	11,744	11,744	11,642	11,642
Common stock				
Balance January 1 ...	44,412	222,063	39,637	198,186
Conversion of stocks and debentures	730	3,646	3,142	15,712
Employee stock options and awards ...	44	221	133	665
Sale of common stock	–	–	1,500	7,500
Balance December 31	45,186	225,930	44,412	222,063
Treasury Stock				
Balance January 1 ...	24	667	24	667
Acquired	15	765	–	–
Reissued for investments	(38)	(1,405)	–	–
Balance December 31	1	$ 27	24	$ 667

	1970	1969
Capital in excess of par value of stock		
Balance January 1	$ 696,503	$ 479,577
Conversion of stocks and debentures	4,323	52,616
Employee stock options and awards	1,794	8,577
Reissue of treasury stock for investments	523	–
Sale of common stock	–	160,500
Expenses related to Sinclair merger	–	(4,767)
Balance December 31	703,143	696,503
Net income retained for use in business		
Balance January 1	1,742,421	1,636,085
Net income	205,630	227,174
Preferred dividends	(41,401)	(34,440)
Common dividends per share, 1970–$2.00; 1969–$1.90	(89,905)	(86,398)
Balance December 31	$1,816,745	$1,742,421

There were no changes in 3.75% cumulative preferred stock.

NORTON SIMON INC.

Statement of Changes in Shareholders' Equity

For the years ended June 30, 1970 and 1969

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings
Balance, July 1, 1968	$16,867,000	$10,442,000	$159,773,000	$63,343,000
Net income				31,625,000
Cash dividends on preferred stock ...				(4,954,000)
Stock dividend–2½% at fair market value		257,000	10,888,000	(11,655,000)
Common stock purchases		(186,000)	(4,814,000)	(3,282,000)
Premium on purchases of convertible debentures				(4,043,000)
Stock options exercised	136,000	85,000	1,792,000	
Conversion of debentures and preferred stock	347,000	249,000	7,484,000	
Balance, June 30, 1969	17,350,000	10,847,000	175,123,000	71,034,000
Net income				36,787,000
Cash dividends on preferred stock				(5,817,000)
Stock dividend–2½% at fair market value		261,000	9,699,000	(10,394,000)
Common stock purchases		(215,000)	(6,489,000)	(2,649,000)
Premium on purchases oi convertible debentures .				(713,000)
Stock options exercised	48,000	28,000	694,000	
Conversion of debentures and preferred stock	208,000	176,000	5,199,000	
Balance, June 30, 1970	$17,606,000	$11,097,000	$184,226,000	$88,248,000

Notes to Financial Statements

Note 4 (in part): Capital Stock—Authorized capital stock consists of 30,000,000 shares of $1 par value common stock and 10,000,000 shares of $5 par value preferred stock; 5,000,000 shares of preferred stock are designated as Series A Convertible Preferred Stock, 49,360 as Series B Convertible Preferred Stock, 26,500 as Series C Convertible Preferred Stock, and the remaining 4,924,140 as undesignated. Changes in shares of capital stock during the year were as follows:

	Common Stock	Preferred Stock
Shares outstanding at beginning of year .	10,846,417	3,470,035
Issued for:		
Common stock dividend–2½%	260,882	
Exercise of stock options	28,266	9,592
Conversion of debentures and preferred stock	176,833	41,568
Purchases	(215,473)	
Shares outstanding at end of year	11,096,925	3,521,195

WINN-DIXIE STORES, INC.

Statement of Consolidated Stockholders' Equity

Year Ended June 27, 1970
with comparative figures for year ended June 28, 1969

	1970	1969
Capital Stock:		
Common stock:		
Beginning of year	$ 8,341,480	12,856,174
Add–Par value of unissued shares sold under stock plans	400	4,800
Par value of shares issued in exchange for Class B common stock	71,009	3,581
	8,412,889	12,864,555
Deduct–Par value of shares exchanged for Class B common stock	–	4,523,075
End of year	8,412,889	8,341,480
Class B common stock:		
Beginning of year	4,519,494	–
Add–Par value of shares issued in exchange for shares of common stock	–	4,523,075
Deduct–Par value of shares exchanged for shares of common stock	68,061	3,581
End of year	4.451,433	4,519,494
Capital in excess of Par Value of Capital Stock:		
Beginning of year	4,836,411	4,952,602
Add–Excess of net proceeds over par value of shares sold under stock plans	10,546	103,440
	4,846,957	5,056,042
Deduct–Excess of cost of reacquired common stock over net proceeds of issuances under stock plans	750,853	160,511
Expenditures relating to the issue of Class B common stock	–	59,120
Excess of par value of common shares issued upon conversion of 68,061 shares of Class B common stock	2,948	–
End of year	4,093,156	4,836,411
Retained Earnings:		
Beginning of year	121,534,232	111,098,476
Net earnings	27,615,180	26,505,881
	149,149,412	137,604,357
Cash dividends on common stock, $1.62 per share ($1.56 per share in 1969)	13,113,095	16,070,125
End of year	136,036,317	121,534,232
Cost of Common Stock Reacquired:		
Beginning of year 264,365 shares (287,267 shares in 1969)	6,897,910	7,648,459
Add–Cost of 118,190 shares reacquired during year (30,296 shares in 1969)	3,530,543	1,016,210
	10,428,453	8,664,669
Deduct–Cost of 159,595 shares issued under stock plans (53,198 shares in 1969)	4,858,564	1,766,759
End of year 222,960 shares (264,365 shares in 1969)	5,569,889	6,897,910
Total Stockholders' Equity	$147,423,906	132,333,707

DIVIDENDS

Tables 4-2 and 4-3 show the number of companies paying cash dividends and Table 4-4 shows the number of companies distributing stock dividends. As indicated in Tables 4-2 and 4-3, most companies paying cash dividends disclose the per share amount of such dividends in the statement of retained earnings.

TABLE 4-2: DIVIDENDS ON COMMON STOCK

Nature of Dividend Payment*	1970	1969	1968
A: Cash dividends–per share amount disclosed in statement of retained earnings	429	423	432
Cash dividends–per share amount not disclosed in statement of retained earnings	87	101	101
B: Dividends of pooled companies	39	64	75
Stock dividends	51	58	60
Dividends in kind	2	12	9
Dividends or distributions to common stockholders	608	658	677
Number of Companies			
Making payments or distributions to common stockholders	532	549	552
Payments by pooled companies only	1	3	6
No payments or distributions to common stockholders	67	48	42
Total	600	600	600

*Refer to Company Appendix Section–A: 120, 150, 330, 372, 390, 468; B: 66, 153, 225, 512, 584, 617.

Chapter 7, Section B of *Accounting Research Bulletin No. 43* discusses the accounting for stock dividends. *Opinion No. 15 – Earnings Per Share* refers to Chapter 7, Section B and states in part:

> 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 com-

TABLE 4-3: DIVIDENDS ON PREFERRED STOCK

Status of Dividend Payments*	1970	1969	1968
Full dividends being paid currently:			
A: Per share amount disclosed in statement of retained earnings	175	178	160
Per share amount not disclosed in statement of retained earnings	85	78	81
Dividends in arrears	6	3	6
B: Not currently payable (newly-issued)	2	7	5
Number of Companies			
Preferred stock outstanding	268	266	252
No preferred stock outstanding	332	334	348
Total	600	600	600

*Refer to Company Appendix Section–A: 77, 111, 189, 375, 399; B: 45, 581.

putations reflect such changes in the number of shares after the close of the period, this fact should be disclosed.

Six of seven companies distributing stock dividends subsequent to the close of an annual reporting period presented per share computations reflecting such stock dividends.

Examples of cash and stock dividend presentations follow.

TABLE 4-4: STOCK DIVIDENDS

Percent*	1970	1969	1968	1967
A: 5% or less	49	50	49	49
More than 5%, but not more than 10%	2	5	8	7
More than 10%	–	3	3	1
Total	51	58	60	57

*Refer to Company Appendix Section—A: 120, 315, 500, 606, 674.

Cash Dividends

AMERADA HESS CORPORATION

Statement of Consolidated Retained Earnings

For the Years Ended December 31

	1970	1969
Balance at beginning of year	$322,904,138	$401,879,064
Cancellation of 1,106,886 shares of Amerada common stock acquired by Hess in 1969 prior to merger	–	(126,389,293)
Net income	114,009,829	84,655,776
Dividends:		
Cash		
$3.50 cumulative convertible preferred stock ($3.50 per share in 1970; $3.18 per share in 1969)	(36,427,559)	(34,019,074)
Common stock ($.30 per share in each year)	(3,432,775)	(3,222,335)
Common stock—2½%	(5,485,974)	–
Balance at end of year	$391,567,659	$322,904,138

AMETEK, INC.

Consolidated Statement of Income and Retained Earnings

Year ended December 31,

	1970	1969
Net income	$ 1,004,322	$ 6,667,482
Retained earnings at beginning of year	37,351,319	33,808,930
Adjustment of pooled companies from fiscal to calendar year basis	–	63,599
	38,355,641	40,540,011
Cash dividends paid (per share: 1970—$.70; 1969—$.67½)	3,506,382	3,188,692
Retained earnings at end of year	$34,849,259	$37,351,319

CORNING GLASS WORKS

Consolidated Statement of Income and Retained Earnings

For the years ending January 3, 1971 and December 28, 1969

Net income (per share: $5.69—1970; $7.27—1969)	$ 39,519,839	$ 50,491,239
Retained earnings at beginning of year	285,766,689	253,624,655
Equity in undistributed earnings of foreign associated companies not previously consolidated		4,081,729
Cash dividends:		
On preferred stock—$3.50 per share	(34,794)	(38,186)
On common stock—$3.25 per share	(22,496,523)	(22,392,748)
Retained earnings at end of year	$302,755,211	$285,766,689

THE MEAD CORPORATION

Statements of Retained Earnings and Additional Paid-in Capital

(Additional paid-in capital portion omitted)

Retained Earnings: All dollar amounts in thousands except per share amounts	Year Ended December 31, 1970	1969
Balance beginning of year	$247,399	$238,596
Net earnings for the year	19,900	35,926
	267,299	274,522
Less:		
Cost in excess of stated value of treasury shares acquired		2,386
Cash dividends paid:		
Preferred—$4.25 a share	115	132
Preferred—$5.00 a share	165	165
Preferred—$6.00 a share	121	121
Voting Cumulative Preferred—$2.80 a share	8,014	11,105
Common—$1.00 a share	16,393	12,596
By companies acquired prior to merger		618
Balance end of year	$242,491	$247,399

Dividend In Kind

Columbia Broadcasting System, Inc.

Retained Earnings

	Fiscal Year 1970 (52 weeks)	Fiscal Year 1969 (53 weeks)
	(Dollars in thousands)	
Balance at beginning of period	$137,244	$131,103
Add:		
Net income	64,132	71,944
	201,376	203,047
Less:		
Cash dividends:		
CBS common stock: 1970, $1.37 per share; 1969, $1.35 per share	36,896	35,766
CBS Series A preference stock: $1.00 per share	2,464	2,744
Tele-Vue Systems, Inc. dividend, prior to pooling of interests	–	1,191
Stock dividends:		
CBS common stock, 2%; 1970, 536,445 shares (payable Jan. 15, 1971); 1969, 519,460 shares	14,988	26,102
Distribution of Viacom common stock at equity in net assets and related costs (note 2)	19,899	–
Balance at end of period	$127,129	$137,244

Balance Sheets

Liabilities and Shareholders' Equity	Jan. 2 1971	Jan 3 1970
	(Dollars in thousands)	
Equity in net assets of Viacom held for distribution (note 2)	$18,576	–

Note 2: Distribution of Common Stock of Viacom International Inc.—During 1970 CBS developed a plan to transfer to a wholly-owned subsidiary, Viacom International Inc. (Viacom), the net assets and businesses of its domestic cable television and domestic and foreign program distribution operations, and to distribute on December 31,1970 all of the stock of this subsidiary to persons who were holders of record of CBS common stock at the close of business on December 17, 1970. The purpose of the distribution was to comply with certain rules of the Federal Communications Commission (FCC) with respect to the ownership by a television network of domestic cable television and program distribution businesses. On December 31, 1970 the FCC issued an Order halting the distribution of the Viacom stock pending further consideration by the Commission, and the Company filed a petition with the United States Court of Appeals for the Second Circuit for review of this Order. On January 20, 1971 the Company filed a detailed statement of the facts concerning the proposed plan of action with the Commission. In the opinion of counsel for the Company, upon completion of the FCC proceedings, the distribution of Viacom stock can be successfully effected subject to the continuing obligation of the Company and Viacom to comply with lawful orders of the Commission intended to insure compliance with certain of its rules that are to go into effect at future dates, requiring, among other things, the absence of common control between a television network organization and an entity engaged in certain aspects of the CATV or television program distribution businesses.

To reflect the action of the CBS Board of Directors authorizing the distribution, retained earnings reflects a charge in 1970 equivalent to the Company's equity at December 31, 1970 in the net assets of the companies that would constitute Viacom plus certain costs incurred in connection with the distribution. Should the company be unable to effect the distribution to CBS shareholders described above, the equity in net assets of Viacom held for distribution will be restored to retained earnings.

The results of operations of the companies that would constitute Viacom and their assets and liabilities are included in the CBS financial statements. Excluding the historical amounts applicable to such companies, the CBS income statistics are as follows:

	Fiscal Year 1970 (52 weeks)	Fiscal Year 1969 (53 weeks)
Net sales	$1,210,755,000	$1,142,819,000
Net income	61,246,000	69,788,000
Net income per common share	2.18	2.51

The assets and liabilities of Viacom included in the CBS balance sheets are as follows:

	January 2, 1971	January 3 1970
Current assets	$14,104,000	$11,160,000
Current liabilities	6,883,000	5,196,000
Working capital	7,221,000	5,964,000
Fixed and other assets	28,592,000	19,906,000
	35,813,000	25,870,000
Less amounts due after one year	17,237,000	9,454,000
Net assets	$18,576,000	$16,416,000

Dividends in Arrears

ASG INDUSTRIES, INC.

Notes to Consolidated Financial Statements

Note 5: 5% Cumulative Preferred Stock—The 5% Cumulative Preferred stock is redeemable, through the operation of a sinking fund, at par value plus accrued and unpaid dividends. The sinking fund provides for contributions based upon annual earnings with a maximum limit of $175,000 per year. However, under restrictions contained in the indenture agreements covering the Company's long-term debt (see Note 2e), no payments may be made to the sinking fund without prior consent of the holders of at least two-thirds of the debt. The cumulative sinking fund requirements of $350,000 through December 31, 1970, have been satisfied through the exchange by holders of their stock for common stock of the Company in connection with the reorganization (see Note 1). In addition, as a result of this exchange offer and other shares held by the Company, the Company

has available 5% Cumulative Preferred stock aggregating $87,200 at par value for use in the fulfillment of future sinking fund requirements.

The stock is callable at the option of the Corporation at $25.25 per share, plus accrued and unpaid dividends. At December 31, 1970, thirty-nine quarterly dividend payments, amounting to approximately $12.19 per share or $1,741,679 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.

LYKES-YOUNGSTOWN CORPORATION

Note 10: Capital Stock and Earnings Per Share—The Series A convertible preferred stock has a $2.50 annual cumulative dividend, is callable after 5 years at amounts ranging from $62.50 to $60.00 per share, and is convertible into common shares on a basis of 1 share of preferred for 1.94 shares of common stock.

The $4 Series convertible preferred stock has a $4 annual cumulative dividend, is callable after one year at amounts ranging from $170.66 to $166.66 per share, and is convertible into common shares on a basis of 1 share of preferred for 3.885 shares of common stock.

In the fourth quarter of 1970 the Board of Directors of the Company voted to defer the January 15, 1971 quarterly payment of dividends on the Series A and $4 Series Cumulative Convertible Preferred stocks in the amount of $3,390,000 and $36,000, respectively ($.625 and $1.00 per share).

Primary earnings per common share are after deduction of preferred dividend requirements of $13,705,000 in 1970 and $13,597,000 in 1969 and are computed on 8,959,000 and 8,902,000 average shares outstanding in 1970 and 1969, respectively. The 1970 and 1969 fully diluted earnings per share amounts are limited to the amount shown for primary earnings under the anti-dilution provisions of Accounting Principles Board Opinion No. 15.

THE RUCKER COMPANY

Notes to Financial Statements

Note 10 (in part): Stockholders' Equity—The following table summarizes changes in common shares issued:

	1970	1969
Issued, January 1	3,157,901	2,826,062
Issued on exercise of stock options	3,300	43,648
Issued on acquisition of businesses	–	276,700
Issued as additional compensation for previously acquired businesses	19,935	11,491
Issued, December 31	3,181,136	3,157,901

The 50,000 shares of $5 cumulative convertible preferred stock outstanding at December 31, 1970 are convertible at the rate of 2.1 shares of common stock for each share of preferred stock. In liquidation, preferred shareholders will be entitled to $100 per share if liquidation is involuntary or $105 per share if liquidation is voluntary. As of January 15, 1971, one quarterly dividend of $1.25 per share, or $62,500 in the aggregate, was not declared.

Stock Dividends

ALLIED MILLS, INC.

Consolidated Statements of Earnings and Retained Earnings

(income statement portion omitted)

	Years Ended June 30 1970	Years Ended June 30 1969
Net earnings for the year	$ 8,200,518	$ 6,402,323
Retained earnings, beginning of the year	52,376,094	49,265,822
	60,576,612	55,668,145
Deduct: Amount transferred to capital accounts in connection with stock dividend in 1970 and stock split in 1969	8,578,005	1,456,323
Cash dividends, $.68 and $.66 per share in 1970 and 1969, respectively	1,894,004	1,835,728
Retained earnings, end of the year	$50,104,603	$52,376,094
Weighted average number of common shares	2,776,882	2,770,013
Earnings per share	$2.95	$2.31

Notes to Consolidated Financial Statements

Note C (in part): Changes in Capital—

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value
Balance, beginning of year	3,315,171	$ 9,945,513	$ 327,404
Stock options exercised			177,310
Stock dividend	330,932	992,796	7,570,069
Balance, end of year	3,646,103	$10,938,309	$8,074,783

	Treasury Stock Shares	Treasury Stock Amount
Balance, beginning of year	785,274	$1,527,617
Stock options exercised	(13,980)	(37,740)
Treasury stock acquired	51,500	1,608,118
Stock dividend	82,259	
Balance, end of year	905,053	$3,097,995

On September 18, 1968, the shareholders approved an increase in the number of authorized shares from 2,000,000 shares of no par common stock to 5,000,000 shares of $3 par value common stock and split the no par common stock on the basis of two additional shares of the new $3 par value stock for each of the issued shares of no par value stock.

On June 2, 1970, the Board of Directors declared a 10 percent stock dividend on the common stock of the company to shareholders of record as of June 19, 1970, payable on July 13, 1970.

THE AMERICAN SHIP BUILDING COMPANY

Consolidated Statements of Income

For the Years Ended September 30, 1970 and 1969

	1970	1969
Earnings per share:		
Operating income	$1.42	$1.10
Extraordinary credit	.08	–
Net income	$1.50	$1.10
Earnings per share—based upon shares outstanding after the payment of a 5% stock dividend declared in October, 1970 (Note 9)	$1.42	$1.04

Note 9: Subsequent Events—In October, 1970, the Board of Directors declared a common stock dividend of 5% payable on January 4, 1971, to shareholders of record on December 4, 1970.

APCO OIL CORPORATION

Statement of Consolidated Retained Earnings

(Year Ended December 31)

	1970	1969
Retained earnings at beginning of year	$16,810,137	$13,389,789
Net earnings for the year	10,268,159	6,565,379
	27,078,296	19,955,168
Less stock dividend payable in common stock (4% payable January 29, 1971; 4% paid January 30, 1970)	3,277,583	3,145,031
Retained earnings at end of year	$23,800,713	$16,810,137

CROWN CENTRAL PETROLEUM CORPORATION

Statements of Consolidated Retained Earnings

Year ended December 31

	1970	1969
Balance at beginning of year	$22,682,192	$22,740,216
Add:		
Net income for the year	3,550,156	501,834
	26,232,348	23,242,050
Deduct:		
Dividends (Note F):		
In Common Stock (1970–5%; 1969–3%)	1,039,543	559,858
Balance at end of year	$25,192,805	$22,682,192

Note F (in part): Shares of Common Stock increased by 41,893 shares in 1970 and 24,302 in 1969 through the issuances of a 5% and 3% stock dividend, respectively. Retained earnings was charged for the fair market value of the stock issued and for cash ($13,165 in 1970 and $10,025 in 1969) paid in lieu of fractional shares. Additions to the common stock and paid-in capital accounts were as follows:

Common Stock Dividend	Common Stock	Paid-in Capital	Total
1970–5%	$209,485	$816,913	$1,026,378
1969-3	121,510	428,323	549,833

THE CESSNA AIRCRAFT COMPANY

Consolidated Statement of Earnings

	Years ended September 30	
	1970	1969
Net earnings	$ 9,260,987	$15,223,183
Earnings reinvested in business at beginning of year	76,361,189	66,203,202
	85,622,176	81,426,385
Less:		
Cash dividends on common stock—1970, $.79 per share; 1969, $.71 per share; (Note 7)	5,598,880	5,065,196
Common stock dividend (Note 7)	7,686,393	–
	13,285,273	5,065,196
Earnings reinvested in business at end of year	$72,336,903	$76,361,189

Notes to Consolidated Financial Statements

Note 7: Capital Changes—On January 7, 1970 Cessna paid a 5% common stock dividend, and in connection therewith credited paid-in surplus $7,348,381 for the difference between the market value, $7,686,393, charged to earnings reinvested in business and the par value, $338,012, of the shares issued. Cash dividends per share, as reported, reflect such dividends in terms of current issued common shares.

On January 27, 1970 the stockholders authorized a class of 3,000,000 shares of preferred stock. None have been issued.

THE GENERAL TIRE & RUBBER COMPANY

Retained Earnings

	Years Ended November 30	
	1970	1969
Retained Earnings:		
Balance, beginning of year	$290,482,000	$283,395,000
Net income for year	41,221,000	35,131,000
RKO General, Inc. adjustments	106,000	(746,000)
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
	331,809,000	315,345,000
Cash dividends:		
On preference stock	695,000	736,000
On common stock—$1.00 per share	18,053,000	17,632,000
	18,748,000	18,368,000
Stock dividends—2% payable February 28, 1971 and 1970— at approximate market values	8,497,000	6,495,000
	27,245,000	24,863,000
Balance, end of year	$304,564,000	$290,482,000

Statement of Consolidated Income

Per share of common stock (adjusted to reflect 2% stock dividend payable February 28, 1971):

Income before extraordinary items	$2.02	$2.04
Extraordinary items	.17	(.18)
Net income for year	$2.19	$1.86

MOLYBDENUM CORPORATION OF AMERICA

Consolidated Statement of Retained Earnings & Capital in Excess of Par Value

Year Ended December 31, 1970

	Retained earnings	Capital in excess of par value attributable to Common shares	Preferred shares
Balances, January 1, 1970	$13,715,175	$25,500,106	$9,553,117
Net income for 1970	2,386,220		
Stock dividend—3% distributed Dec. 18, 1970 63,616 shares at par value	(63,616)	–	–
Excess of market value of stock dividend over par value of shares issued	(1,367,744)	1,367,744	
Costs of stock dividend and registration statement amendment		(16,028)	
Preferred dividends paid at $2.50 per share	(502,586)		
Balances, December 31, 1970	$14,167,449	$26,851,822	$9,553,117

OHIO FERRO-ALLOYS CORPORATION

Capital Surplus and Retained Earnings

	Year Ended December 31, 1970	1969
Capital Surplus:		
Balance January 1	$13,098,629	$10,739,456
Add:		
Excess of approximate market value over par value of capital shares issued as a 10% stock dividend	1,945,261	2,358,493
40 shares sold to employees	–0–	680
	$15,043,890	$13,098,629
Unappropriated Earnings Retained in the Business		
Balance, January 1	$11,707,950	$12,636,397
Add:		
Net income for the year	3,621,380	2,715,867
	$15,329,330	$15,352,264
Deduct:		
Cash dividends of $.80 a share paid on common stock	$ 1,264,723	$ 1,153,212
Approximate market value of shares issued as a 10% stock dividend	2,083,692	2,483,602
Provision for cash to be paid in lieu of fractional shares on stock dividend	–0–	7,500
	$ 3,348,415	$ 3,644,314
	$11,980,915	$11,707,950

ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

Certain events of accounting significance necessitate an adjustment of the opening balance of retained earnings. Such accounting events include prior period adjustments, poolings of interests, changes in consolidation policy, corrections of accounting errors, and certain accounting changes enumerated in *Opinion No. 20—Accounting Changes.*

TABLE 4-5: ADJUSTMENT TO OPENING BALANCE OF RETAINED EARNINGS

Reasons for Adjustment	1970	1969	1968
Poolings of interests	97	185	184
Accounting changes	27	27	44
"Prior period adjustments"	17	35	19
Other matters	9	–	–
Total	150	247	247
Manner of Presentation			
Prior year balance sheet adjusted; statement shows:			
Adjusted balance only	79	104	106
Original amount and adjustment	68	112	111
Prior year balance sheet not adjusted	3	31	30
Total	150	247	247
Number of Companies			
Opening balance of retained earnings adjusted	132	195	224
Opening balance of retained earnings not adjusted	468	405	376
Total	600	600	600

Prior period adjustments are discussed in *Opinion No. 9—Reporting the Results of Operations* which states in part:

> 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.)
>
> 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.

Paragraph 57 of *Opinion No. 16—Business Combinations* states:

57. Similarly, balance sheets and other financial information of the separate companies as of the beginning of the period should be presented as though the companies had been combined at that date. Financial statements and financial information of the separate companies presented for prior years should also be restated on a combined basis to furnish comparative information. All restated financial statements and financial summaries should indicate clearly that financial data of the previously separate companies are combined.

Other accounting events (changes in consolidation policy, correction of accounting errors, and specified accounting changes) are discussed in *Opinion No. 20.*

Table 4-5 summarizes both the reasons disclosed by the survey companies as to why the opening balance of retained earnings was adjusted and the financial statement presentation of such adjustments. Examples follow.

Poolings of Interests

EATON YALE & TOWNE INC.

Statement of Consolidated Shareholders' Equity
(column for serial preferred shares omitted)

Years ended December 31, 1970 and December 31, 1969

	Cumulative Convertible Preferred Shares	Common Shares	Capital in Excess of Par Value	Retained Earnings
Balance at January 1, 1969, as previously reported	$7,513,925	$8,430,019	$76,581,897	$286,139,619
Acquisition of company accounted for as a pooling of interests—Note A		374,995	152,590	8,249,673
Balance at January 1, 1969, as restated	7,513,925	8,805,014	76,734,487	294,389,292
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				62,682,892
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	8,872,948	81,991,010	326,845,074
Common Shares issued:				
19,464 shares from conversion of Preferred Shares	(486,550)	9,732	476,819	
47,634 shares from exercise of stock options		23,817	959,514	
50,300 shares for assets		25,150	1,765,882	
Company acquired in a pooling of interests—Note A		8,750	11,250	20,103
Purchase of 12,000 Common Shares for treasury		(6,000)	(55,352)	(365,733)
Net income for the year				47,263,706
Cash dividends paid:				
Common Shares—$1.40 a share				(23,841,791)
Cumulative Convertible Preferred Shares—$1.19 a share				(260,346)
Serial Preferred Shares—$2.30 a share				(1,780,657)
Balance at December 31, 1970	$5,204,775	$8,934,397	$85,149,123	$347,880,356

Note A (in part): Consolidation Policy— The consolidated financial statements include the accounts of the Company and all subsidiaries except finance subsidiaries, which are carried at equity.

On December 29, 1970, the Company acquired a company in exchange for 749,990 Common Shares. This acquisition has been accounted for as a pooling of interests, and accordingly the consolidated financial statements for 1970 and 1969, as restated, include the accounts of the acquired company. The 1970 net sales and net income of this company were approximately $19,500,000 and $1,650,000, respectively. Another company acquired for 17,500 Common Shares in July, 1970 has been accounted for as a pooling of interests, and included in the 1970 statements for the entire year; however, the 1969 statements have not been restated as the effect would not be significant.

NATIONAL CAN CORPORATION

Consolidated Shareholders' Equity (Preferred Stock Section Omitted)

	Year ended December 31	
	1970	1969
Common Stock—$5 par value, 20,000,000 shares authorized		
Balance, beginning of year, previously reported	$21,265,650	$18,512,760
Issued in 1970 for pooled companies (Note A)	5,380,720	5,380,720
Adjusted balance, beginning of year	$26,646,370	$23,893,480
Par value of shares issued for:		
Conversion of National Can Overseas Corporation 5⅜% bonds	230,220	1,098,830
Exercise of stock options	98,325	266,860
Conversion of Preferred Stock	1,042,670	1,387,200
Acquired companies	392,330	---
Balance, end of year (5,681,983 shares outstanding December 31, 1970)	$28,409,915	$26,646,370
Additional Capital:		
Balance, beginning of year, previously reported	$12,384,286	$8,784,829
Adjustments arising from poolings (Note A)	(6,894,456)	(6,894,456)
Adjusted balance, beginning of year	$5,489,830	$1,890,373
Changes arising from:		
Issuance of Common Stock for acquired companies	1,314,933	---
Conversion of National Can Overseas Corporation 5⅜% bonds	655,614	3,130,504
Exercise of stock options	223,060	334,460
Conversion of Preferred Stock	117,290	154,180
Expenses related to poolings	(138,855)	---
Other	(25,720)	(19,687)
Balance, end of year	$7,636,152	$5,489,830
Retained Earnings:		
Balance, beginning of year, previously reported	$40,159,648	$30,229,358
Adjustments arising from poolings (Note A)	7,965,262	6,701,166
Adjusted balance, beginning of year	$48,124,910	$36,930,524
Net earnings	15,019,899	15,010,759
Dividends paid on Capital Stock:		
Preferred—Series A $1.50 per share	(1,549,397)	(1,819,378)
Preferred—Series B $.30 per share (annual rate $.60)	(190,982)	---
Common—$.425 and $.375 per share	(2,118,096)	(1,423,082)
Pooled company prior to acquisition	(239,673)	(573,913)
Balance, end of year	$59,046,661	$48,124,910
	$111,275,548	$97,632,670
Treasury Stock, 3,280 common shares at cost	($71,366)	---
Total Shareholders' Equity	$111,204,182	$97,632,670

Note A (in part): Principles of Consolidation and Accounting Policies— The consolidated financial statements include the accounts of the Corporation and all subsidiaries engaged in domestic operations. The investments in subsidiaries engaged in foreign operations are carried at underlying equity.

The consolidated financial statements have been adjusted retroactively to include the accounts of companies acquired on a pooling of interest basis, as described in Note B. Accordingly, the statement of consolidated earnings for the year 1969 has been adjusted herein to include sales and net earnings of those pooled companies of $46,141,313 and $3,135,487, respectively, and the balance sheet at December 31, 1969 has been retroactively adjusted to reflect the assets and liabilities of such companies. The accounts of acquired companies accounted for as purchases have been included in the financial statements since the dates of acquisition.

SQUARE D COMPANY

Consolidated Statement of Shareholders' Equity

Common stock, par value $1.66⅔ a share; 30,000,000 shares authorized

	Common stock, par value $1.66⅔a share: 30,000,000 shares authorized		Additional	
	Shares	Amount	Paid-in Capital	Retained Earnings
Preferred Stock—6,000,000 shares authorized, none issued				
Balance, January 1, 1969, as previously reported	20,610,284	$34,350,475	$9,325,772	$68,130,943
Pooling adjustment	781,875	1,303,125	1,710,710	3,181,725
Balance, January 1, 1969, adjusted	21,392,159	35,653,600	11,036,482	71,312,668
Exercise of stock options	812	1,353	14,921	
Net earnings				26,117,300
Cash dividends:				
Square D Company ($.95 per share)				(19.580,216)
Pooled company prior to pooling				(321,686)
Balance, December 31, 1969	21,392,971	35,654,953	11,051,403	77,528,066
Net earnings				25,287,216
Cash dividends:				
Square D Company ($.95 per share)				(20,166,947)
Pooled company prior to pooling				(160,844)
Merger expenses			(194,169)	
Balance, December 31, 1970	21,392,971	$35,654,953	$10,857,234	$82,487,491

Notes to Consolidated Financial Statements

Note A (in part): Principles of Consolidation— The consolidated financial statements for the year ended December 31, 1969 have been restated to include the accounts of Anderson Electric Corporation, combined with the Company during the year ended December 31, 1970 in a transaction accounted for as a pooling of interests. Revenues and net earnings for 1969 before restatement were $235,541,094 and $25,324,259.

Prior Period Adjustments

DEL MONTE CORPORATION

Consolidated Statement of Earnings

	1970	1969
Earnings for year	14,361,000	22,188,000
Earnings retained for use in the business, beginning of year, as restated	97,673,000	88,165,000
Cash dividends ($1.10 per share)	(12,865,000)	(12,680,000)
Earnings retained for use in the business, end of year	$99,169,000	$97,673,000

Financial Review (Page 14)

Earnings retained for use in the business at June 1, 1969 have been restated to reflect a charge to prior periods of $4,235,000 for additional federal income taxes and related interest applicable to the years 1962-1969. This adjustment includes $916,000 (8c per share) applicable to the year ended May 31, 1969 and has been reflected in the financial statements for that year; earnings for each applicable year have been restated in the Ten-Year Review of Financial Data on page 21. This adjustment was the result of a settlement reached in 1970 after extensive and protracted deliberations with taxing authorities. The settlement was substantially greater than the Corporation anticipated. The restatement of the beginning balance of earnings retained for use in the business is summarized below:

	1970	1969
Balance as previously reported	$107,916,000	$97,357,000
Adjustment for poolings using reacquired shares	(6,008,000)	(5,873,000)
Prior period tax adjustment	(4,235,000)	(3,319,000)
As restated	$97,673,000	$88,165,000

ELTRA CORPORATION

Statement of Consolidated Surplus Accounts

	1970	1969
Earned Surplus:		
Beginning of Year:		
As previously reported	$136,309,571	$122,749,138
Adjustment for patent litigation settlement —cumulative effect—see Note 7	1,300,000	998,000
As restated	135,009,571	121,751,138
Earned surplus, acquired company	140,674	
Net income for the year	20,890,245	22,287,365
Dividends paid:		
Preferred stock ($1.40 per share)	(16,856)	(42,557)
Common stock ($1.20 per share—1970: $1.15 per share—1969)	(9,229,652)	(8,986,375)
End of year	$146,793,982	$135,009,571

Note 7: Patent Settlement—During the year the company settled the patent litigation described in the 1969 Annual Report. The settlement and direct cost of $2,600,000 less applicable income tax of $1,300,000 have been charged retroactively to income of prior years relative to the sales of the disputed devices. Net income for 1969 included herein for comparative purposes has been reduced from that previously reported by $302,000 ($.04 per common share).

Changes in Accounting Principles

ASHLAND OIL, INC.

Statement of Consolidated Retained Earnings

	Year Ended September 30		
	1970	1969	
		Restated—Note C	As Previously Reported
Balance at beginning of year	$298,310,000	$268,707,000	$239,734,000
Net income for the year	37,769,000	56,880,000	52,343,000
	336,079,000	325,587,000	292,077,000
Deductions:			
Cash dividends declared:			
Preferred			
$2.40 convertible series of 1966	1,590,000	1,772,000	1,772,000
$5.00 convertible series of 1969	2,030,000	—	—
$5.00 convertible series of 1970	230,000	—	—
Common Stock—$1.20 a share	25,318,000	24,838,000	24,838,000
	29,168,000	26,610,000	26,610,000
Dividends paid by pooled companies prior to acquisition	678,000	1,544,000	1,544,000
Adjustments arising from pooling transactions	(5,314,000)	(877,000)	(1,005,000)
	24,532,000	27,277,000	27,149,000
Retained Earnings at End of Year	$311,547,000	$298,310,000	$264,928,000

Note C (in part): Acquisitions—Amounts included in the statement of consolidated income for Northwestern were as follows: net sales—$103,433,000 for 1970 and $97,690,000 for 1969; net income—$3,438,000 for 1970 and $3,460,000 for 1969; and per share earnings on common stock (after providing for preferred dividends) 6.0c for 1970 and 6.3c for 1969.

In addition, during 1970 the Company purchased an 89% interest in Canadian Gridoil, Ltd. (now Ashland Oil Canada Limited) in exchange for substantially all of the Company's Canadian properties, 365,000 shares of a $2.00 cumulative redeemable preferred stock of a wholly-owned Canadian subsidiary and cash of $3,000,000. These preferred shares are exchangeable for common stock of Ashland Oil, Inc., as explained in Note E.

See "Accounting Policies" on pages 27 and 28 of this Annual Report for other information and restatements of 1969 accounts.

Accounting Policies (page 27)

Accounting for Oil and Gas Properties and Expenditures

With respect to United States (except Alaska) 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. Lease acquisition costs and tangible and intangible costs of productive wells are capitalized. Lease costs are written off upon abandonment and producing property costs are amortized on a unit-of-production method over estimated recoverable oil and gas reserves of the individual leases. Annual lease rentals are charged to income.

With respect to other areas, the Company capitalizes

all exploration costs, including both productive and nonproductive well drilling costs applicable to the exploration for and development of oil and gas reserves; such capitalized costs are amortized on a composite basis for each area on the unit-of-production method. 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.

During 1970 Ashland Oil acquired (through a combination of purchase and contribution of properties) an 89 per cent interest in a Canadian Company, Canadian Gridoil, Ltd. (now Ashland Oil Canada Limited) and retroactively adopted for all of its Canadian oil and gas operations the full costing policy of accounting for exploration and production costs employed by Canadian Gridoil. All prior years have been retroactively adjusted for this change. The change resulted in an increase in net income for 1970 of $532,000, or 2.5c per share, an increase in net income for 1969 of $1,078,000 or 5.2c per share, and an increase in retained earnings as of September 30, 1970 of $6,000,000.

The 1969 financial statements have also been restated for a reclassification (which did not affect net income) of retirements from depreciation, depletion, amortization and retirements to cost of sales and operating expenses.

Deferred income taxes are provided for all significant timing differences, including an additional amount provided in consolidation on income reported by Ashland Oil Canada Limited.

CHRYSLER CORPORATION

Consolidated Statement of Net Earnings Retained for Use in the Business

	Year Ended December 31, 1970	1969*
Balance at beginning of year	$1,399,028,028	$1,351,453,762
Adjustment (for the years 1957 through 1968)		43,309,750
As restated		1,394,763,512
Net loss	(7,603,020)	
Net earnings as restated		98,971,222
	1,391,425,008	1,493,734,734
Cash dividends paid ($0.60 a share in 1970 and $2.00 a share in 1969)	29,193,336	94,706,706
Balance at end of year	$1,362,231,672	$1,399,028,028

*Restated to reflect the change made in 1970 in accounting for inventories.

Notes to Financial Statements

Inventories—Accounting Change—Inventories are stated at the lower of cost or market. For the period January 1, 1957 through December 31, 1969 the last-in, first-out (LIFO) method of inventory valuation had been used for approximately 60% of the consolidated inventory. The cost of the remaining 40% of inventories was determined using the first-in, first-out (FIFO) or average cost methods. Effective January 1, 1970 the FIFO method of inventory valuation has been adopted for inventories previously valued using the LIFO method. This results in a more uniform valuation method throughout the Corporation and its consolidated subsidiaries and makes the financial statements with respect to inventory valuation comparable with those of the other United States automobile manufacturers. As a result of adopting FIFO in 1970, the net loss reported is less than it would have been on a LIFO basis by approximately $20.0 million, or $0.40 a share. Inventory amounts at December 31, 1969 and 1970 are stated higher by approximately $110.0 million and $150.0 million, respectively, than they would have been had the LIFO method been continued.

The Corporation has retroactively adjusted financial statements of prior years for this change. Accordingly, the 1969 financial statements have been restated resulting in an increase in Net Earnings of $10.2 million, and Net Earnings Retained for Use in the Business at December 31, 1969 and 1968 have been increased by $53.5 million and $43.3 million, respectively.

For United States income tax purposes the adjustment to inventory amounts will be taken into taxable income ratably over 20 years commencing January 1, 1971.

HONEYWELL INC.

Summary of Stockholders' Equity

(Dollar amounts in Thousands)

	Common Stock Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings
Balance, January 1, 1969				
As previously reported	14,868,978	$22,303	$104,362	$294,948
Amounts applicable to acquisition of General Electric Computer Components (less minority interests)	1,500,000	2,250	123,494	(123,230)
Shares of accumulated undistributed earnings of companies owned 50%				2,148
As restated	16,368,978	24,553	227,856	173,866
Common stock issued				
Exercise of stock options	331,094	497	23,331	
Conversion of debentures	37,436	56	3,808	
Net income				62,238
Dividends—common, $1.17½ per share				(17,670)
Amounts applicable to acquisition of General Electric Computer Components (less minority interests)			(10,425)	
Balance, December 31, 1969	16,737,508	25,106	244,570	218,434

Common stock issued				
Sale of common stock (less related expenses)	600,000	900	70,770	
Exercise of stock options	21,571	33	1,465	
Conversion of debentures	17,327	26	1,762	
Net income				61,650
Dividends—common, $1.30 per share				(20,907)
Amounts applicable to acquisition of General Electric Computer Components (less minority interests)			(14,801)	
Expenses in connection with the acquisition			(689)	
Balance, December 31, 1970	17,376,406	$26,065	$203,077	$259,177

Notes to Financial Statements
(in thousands of dollars)

Note 2 (in part): Changes in Accounting Methods—As of January 1, 1970 Honeywell began including in consolidated net income, its share of the net income and losses of companies owned 50%. As a result of this change, net income for 1970 was increased $1.2 million ($.07 per share) and 1969 as restated, was increased $1.1 million ($.07 per share). The balance of retained earnings at January 1, 1969 was increased by $2.1 million representing the accumulated undistributed earnings at that date.

U. S. PLYWOOD-CHAMPION PAPERS INC.
Consolidated Retained Earnings
(in thousands of dollars)
Years Ended December 31

	1970	1969
Balance at Beginning of Year, as previously reported	$394,915	$350,478
Retained earnings of companies acquired in poolings of interests	–	3,710
Adjustment resulting from change in method of accounting for investment in Brazilian subsidiary	–	3,573
Balance at beginning of year, as restated	394,915	357,761
Add:		
Net income	32,525	68,265
	427,440	426,026
Deduct:		
Cash dividends:		
Cumulative preferred and preference stocks	10,160	10,104
Common stock ($.84 per share in 1970 and $.82 in 1969)	23,512	20,511
Common stock of pooled companies	544	143
Stock dividends on common stock of pooled companies	545	353
	34,761	31,111
Balance at end of year	$392,679	$394,915

Notes to Financial Statements

Note 1: Principles of Consolidation—The Company follows the practice of consolidating all domestic and Canadian subsidiaries. Unconsolidated foreign subsidiaries are reflected in the financial statements on the equity basis. Prior to 1970, the company accounted for its investment in its Brazilian subsidiary, Champion Celulose S.A. (Celúlose), at cost less write-downs. In 1970 the company conformed its accounting for this subsidiary with the method used for its investments in the other unconsolidated foreign subsidiaries, and the accompanying financial statements for 1969 have been restated accordingly. Net income includes $2,318,000 in 1969 and $3,589,000 in 1970 for the company's equity in Celulose earnings in those years. 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 698,566 shares of its common stock for the assets and business or in exchange for all of the outstanding capital stock of certain companies. These transactions were recorded as poolings of interests and accordingly the financial statements include the accounts and operations of these companies.

Changes in Consolidation Policy

BORDEN, INC.
Consolidated Statement of Stockholders' Equity
(Capital stock issued, paid-in capital, and treasury stock columns omitted)
For the two years ended December 31, 1970

	Retained Earnings
Balance, December 31, 1968 as previously reported	$334,470,478
Poolings of interests	1,969,778
Consolidation of International Operations and recording of 50% owned companies on equity basis.	17,754,493
Balance, December 31, 1968 as restated	354,194,749
Net income	27,804,071
Cash dividends—Borden, Inc.	(33,816,088)
Pooled Company	(9,000)
Balance, December 31, 1969 as restated	348,173,732
Net income	52,986,073
Cash dividends	(34,263,652)
Balance, December 31, 1970	$366,896,153

Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include the accounts of Borden, Inc. and its significant subsidiaries. Commencing in 1970, the Company extended its consolidation practice to include all significant foreign subsidiaries and adopted the policy of carrying investments in 50% owned companies at cost plus equity in undistributed income. Heretofore, foreign subsidiaries, other than Canadian subsidiaries, were excluded from consolidation and, together with 50% owned companies, were carried at cost on the consolidated balance sheet.

For comparative purposes, 1969 financial statements have been restated to reflect these changes which had the effect of increasing retained earnings at December 31, 1969 by $15,462,000, income before extraordinary items by $1,857,000 and extraordinary items by $4,150,000; and decreasing net income by $2,293,000 ($.08 per share).

In connection with consolidation of the foreign subsidiaries, the Company established out of its equity in the accumulated earnings of the foreign subsidiaries a reserve for foreign operations in an amount of $8,000,000. The reserve will be used to absorb abnormal losses from foreign currency devaluations and other causes.

After translation into equivalent United States dollars, subsidiaries outside the United States and Canada contributed the following amounts to the consolidated financial statements:

	1970	1969
Net sales	$137,120,000	$144,182,000
Company's equity in:		
Income before extraordinary items	8,832,000	8,343,000
Extraordinary items	–	(4,150,000)
Net income	8,832,000	4,193,000
Net assets	51,466,000	44,203,000

The assets and liabilities of subsidiaries outside the United States have been translated at year-end exchange rates except that property and equipment and related depreciation have been translated at approximate rates prevailing when the assets were acquired. Income and expense amounts have been translated at average rates prevailing during the year except for depreciation which was translated at the approximate rates prevailing when the depreciable assets were acquired.

The Company's equity in undistributed earnings of 50% owned companies is included in other income and amounted to $1,678,000 in 1970 and $1,415,000 in 1969. Minority interests in income of consolidated subsidiaries of $1,493,000 and $1,164,000 in 1970 and 1969 respectively, have been included in selling, general and administrative expenses.

JOHNS-MANVILLE CORPORATION

Earnings Reinvested

	1970	1969
Earnings Reinvested at Beginning of Year:		
As previously reported	$285,346,000	$258,824,000
Foreign subsidiaries (Note 1)	7,120,000	5,479,000
	292,466,000	264,303,000
Net earnings for the year	33,428,000	43,146,000
	325,894,000	307,449,000
Cash Dividends:		
Paid, 1970 and 1969—$1.20 per share	19,849,000	20,047,000
Declared 1968, paid in 1st quarter 1969—$0.30 per share		(5,064,000)
Earnings Reinvested at End of Year	$306,045,000	$292,466,000

Note 1:—Commencing in 1970 the Company is including foreign subsidiaries, previously reflected as an investment at cost, in the consolidated financial statements; financial statements for 1969 have been restated for comparative purposes. This change in accounting, together with related adjustments, resulted in an increase in consolidated net earnings of $2,687,000 in 1970 and $1,641,000 in 1969.

TABLE 4-6: OTHER CHANGES IN RETAINED EARNINGS

Charges	1970	1969	1968
Capital stock transactions	82	82	84
Poolings of interests adjustments	20	42	13
Other transactions—described	11	17	2
Unidentified charges	2	5	5
Total charges	115	146	104
Credits			
Capital stock transactions	6	8	9
Poolings of interests	30	35	9
Other transactions—described	9	8	6
Unidentified credits	3	3	4
Total credits	48	54	28
Total presentations	163	200	132
Number of Companies			
Presenting other changes in retained earnings	127	149	104
Only changes are income, dividends, splits and changes to opening balance	473	451	496
Total	600	600	600

DIRECT CHARGES AND CREDITS TO RETAINED EARNINGS

In addition to opening balance adjustments, the retained earnings account is affected by direct charges and credits. Direct charges result usually from one or more of the following: (1) net loss for the year, (2) cash or stock dividends, (3) creation of or additions to appropriated retained earnings, or (4) losses on capital stock transactions. Direct credits result usually from either net income for the year or restorations of appropriated retained earnings. Table 4-6 summarizes the reasons for direct charges and credits to retained earnings. Examples follow.

Capital Stock Transactions

RAYTHEON COMPANY

Statements of Income and Earnings Reinvested in the Business

(Income statement portion omitted)

	1970	1969
Net income	$ 30,943,028	$ 35,302,843
Earnings reinvested in the business at beginning of year	174,648,319	148,433,245
	205,591,347	183,736,088
Cash dividends declared:		
Preferred, $1.12 per share	1,361,886	862,818
Common: 1970—$.60 per share; 1969—$.55 per share	8,422,806	7,916,719
Pooled company, prior to acquisition	–	308,232
Excess of cost over par value of reacquired shares less amount allocated to capital in excess of par value	11,976,706	–
	21,761,398	9,087,769
Earnings reinvested in the business at end of year	$183,829,949	$174,648,319

SPARTON CORPORATION

Consolidated Statement of Retained Earnings

Years ended June 30, 1970 and 1969

	1970	1969
Retained earnings at beginning of year	$10,644,327	$ 9,141,483
Net income	974,788	1,771,293
	11,619,115	10,912,776
Deduct:		
Applicable portion of excess of purchase price over par value of 52,300 common shares (3,100 in 1969) acquired for the treasury (Note 4)	408,228	28,532
Dividends:		
Preferred—$6.00 per share	14,362	21,822
Common—$.40 per share ($.25 in 1969)	337,870	218,095
	760,460	268,449
Retained earnings at end of year	$10,858,655	$10,644,327

See accompanying notes.

Note 4: Treasury Stock—During the year the Company reacquired 52,300 shares of its common stock at a cost of $578,554. The excess of the cost over the par value of the shares acquired was charged to capital in excess of par value ($39,576) and to retained earnings ($408,228).

The Company also purchased 1,571 shares of its outstanding preferred stock and called for redemption the remaining 2,066 outstanding shares. The aggregate purchase cost was $11,140 less than the par value of the shares and this amount was credited to capital in excess of par value. At the Directors' meeting on June 26, 1970, the authorization for the 6% preferred stock was eliminated from the Company's Articles of Incorporation.

U. S. INDUSTRIES, INC.

Retained Earnings

	1970 (thousands)	1969 (thousands)
Balance at beginning of year as originally reported	$209,907	$112,514
Acquisitions of pooled businesses	5,839	54,522
Balance at beginning of year as restated	215,746	167,036
Add (deduct):		
Net income for the year	65,784	62,123
Adjustment to conform fiscal years of pooled businesses to USI calendar year	(331)	(1,270)
Excess of cost over par value of treasury stock issued principally pursuant to contingent payment agreements	(12,068)	–
Stock transactions of pooled businesses prior to acquisition	(1)	(747)
Cash dividends declared:		
Special Preference Stock	(5,101)	(2,241)
Common Stock (1970—$.50 per share; 1969—$.45 per share)	(11,008)	(7,301)
By pooled businesses prior to acquisition	(314)	(1,854)
Balance at end of year	$252,707	$215,746

Poolings of Interests Adjustments

BAKER OIL TOOLS, INC.

Consolidated Statement of Shareholders' Equity

For the Year ended September 30, 1970

	Common Stock		Capital in excess	Retained
	Shares	Amount	of par value	Earnings
Balance, September 30, 1969 as previously reported	3,704,784	$4,140,000	$4,901,000	$25,233,000
Lynes, Inc. acquired in a pooling of interests	372,624	373,000	481,000	1,737,000
Balance, September 30, 1969 as restated	4,077,408	4,513,000	5,382,000	26,970,000
Net Income				6.377,000
Adjustments in connection with Lynes acquisition			(11,000)	(115,000)
Common Stock Purchases	(32,100)			(571,000)
Exercise of stock options	23,500	23,000	294,000	
Cash Dividends (65c per share)				(2,516,000)
Balance September 30, 1970	4,068,808	$4,536,000	$5,665,000	$30,145,000

Notes to Financial Statements

Note 1: General—The accompanying consolidated financial statements include the accounts of all majority owned subsidiaries.

As of October 1, 1969, the Company purchased all of the capital stock of The Galigher Company for a cash consideration of approximately $3,596,000 plus $2,934,000 in long-term subordinated notes. The revenues and net income attributable to The Galigher Company included in the accompanying consolidated statement of income for the year ended September 30, 1970, are $9,236,000 and $339,000, respectively.

During the year, the Company acquired all of the outstanding capital stock of Lynes, Inc. and its subsidiaries in exchange for 372,624 shares of the Company's common stock. This transaction has been accounted for as a pooling of interests. The operations of Lynes have been included in the accompanying consolidated statement of income for the year ended September 30, 1969 on the basis of its fiscal year ended December 31, 1969 and for the year ended September 30, 1970 on a fiscal year ended September 30, 1970. Adjustment of Lynes' fiscal year to Baker's fiscal year is set forth separately in the statement of shareholders' equity (a charge of $115,000 referable to the three months ended December 31, 1969).

REX CHAINBELT INC.

Consolidated Statement of Income and Retained Earnings

(Income statement portion omitted)

	1970	1969
Net income	$12,289,000	$12,363,000
Retained Earnings:		
Balance at beginning of year	66,461,000	61,104,000
	78,750,000	73,467,000
Rex Chainbelt Inc. cash dividends declared		
Common stock–$1.50 per share	(4,793,000)	(4,472,000)
Preferred stock		
$2.50 Convertible Series A	(438,000)	(438,000)
$2.36 Convertible Series B	(982,000)	(977,000)
$2.50 Convertible Series C	(31,000)	–
Transactions applicable to acquired companies		
Retained earnings of acquired companies at beginning of year	–	532,000
Cash dividends prior to acquisition	(916,000)	(789,000)
Adjustment for difference in fiscal years	(275,000)	–
Premium on redemption of preferred and common stock prior to merger	(16,000)	(862,000)
Balance at end of year	$71,299,000	$66,461,000

MARTIN MARIETTA CORPORATION

Statement of Shareowners' Equity

(Treasury stock and total columns omitted)

Add or (Deduct)	4½% Cumulative Preferred Stock $100 Par Value	Common Stock $1 Par Value	Additional Paid-in Capital	Retained Earnings
Balance at December 31, 1968	$7,500,000	$22,143,376	$117,452,776	$252,316,607
Common stock issued for:				
Exercise of stock options	–	117,800	2,244,250	–
Common stock of subsidiary	–	3,080,000	52,248,927	–
Net earnings for the year 1969	–	–	–	44,181,629
Preferred stock retired	(1,200,000)	–	–	–
Cash dividends:				
Preferred stock	–	–	–	(324,000)
Common stock	–	–	–	(21,736,128)
Acquisition of pooled business	–	–	(411,110)	(465,923)
Balance at December 31, 1969	6,300,000	25,341,176	171,534,843	273,972,185
Net earnings for the year 1970	–	–	–	40,912,781
Amounts related to change of fiscal year of subsidiary	–	–	173,172	1,800,370
Preferred stock retired	(1,150,000)	–	–	–
Cash dividends:				
Preferred stock	–	–	–	(270,563)
Common stock	–	–	–	(25,255,619)
Acquisition of pooled business	–	–	(1,614,954)	(1,518,427)
Balance at December 31, 1970	$5,150,000	$25,341,176	$170,093,061	$289,640,727

Financial Review (page 22)

Principles of Consolidation (in part)—Martin Marietta Corporation purchased during 1969 additional shares of common stock of Harvey Aluminum (Incorporated), increasing its interest to 82.7 per cent of the outstanding capital stock as of December 31, 1969, from 41 per cent at the prior year-end. Accordingly, the consolidated financial statements include the accounts of Harvey Aluminum (Incorporated) and reflect in 1970 the applicable share (82.7%) of its net earnings for the year ended December 31, 1970, and reflect in 1969 the applicable share (41% to 49%) of its net earnings for the fiscal year ended September 30, 1969. As a result of Harvey Aluminum's change in 1970 to a calendar fiscal year, the $1,800,000 equity of Martin Marietta in the net earnings of this subsidiary for the period October 1 to December 31, 1969, has been included in Retained Earnings in the Statement of Shareowners' Equity.

Other Transactions

ASG INDUSTRIES INC.

Consolidated Statement of Shareholders' Equity

(Columns for capital stock and paid-in capital omitted)

	Retained Earnings
Balance, January 1, 1969	$3,342,100
Net loss for the year	(1,110,424)
Balance, December 31, 1969	2,231,676
Net loss for the year	(15,099,781)
Elimination of deficit through quasi-reorganization (Note 10)	12,868,105
Balance, December 31, 1970	$ –

Note 10: Quasi-Reorganization—The Board of Directors has authorized the elimination of the deficit of $12,868,105 by a charge to paid-in capital through a quasi-reorganization. Common shareholders will be requested to ratify this action at the next annual meeting. Common shareholders owning approximately 80% of the outstanding common stock have indicated their intention to vote for the ratification of the Directors' action.

TABLE 4-7: DISCLOSURE OF CHANGES IN ADDITIONAL CAPITAL

Manner of Presentation*	1970	1969	1968
A: Statement of stockholders' equity	110	89	55
B: Statement of additional capital	125	148	153
C: Schedule in notes	94	93	40
No schedule, but notes or other presentations:			
D: Account for all changes	92	124	173
Major changes only	5	12	26
E: Balance unchanged during year ..	89	47	54
Number of Companies			
Presenting additional capital account	515	513	501
Not presenting additional capital account	85	87	99
Total	600	600	600

*Refer to Company Appendix Section—A: 68, 390, 463; B: 357, 625, 709; C: 273, 331, 418, 500; D: 26, 269, 654, 722; E: 102, 539, 655, 730.

CAPITAL ACCOUNTS

PRESENTATION OF CHANGES IN ADDITIONAL CAPITAL

Opinion No. 12—Omnibus Opinion—1967 states in part:

> 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 4-7 summarizes the manner in which the survey companies presented changes in additional capital.

STOCK SPLITS

Chapter 7, Section B of *Accounting Research Bulletin No. 43* discusses the accounting for stock splits. *Opinion No. 15—Earnings Per Share* refers to Chapter 7, Section B and states in part:

> 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 4-8 shows the number of survey companies presenting stock splits and also summarizes the accounting treatments for stock splits. Examples of stock splits follow.

Charge to Additional Capital

THE BLACK AND DECKER MANUFACTURING COMPANY

Consolidated Capital in Excess of Par Value of Common Stock

(thousands of dollars)	Year ended September 27, 1970	September 28, 1969
Balance at beginning of year	$20,343	$19,009
Proceeds or net conversion price in excess of par value of shares of Common Stock issued:		
Option and purchase plans (1970—56,652 shares; 1969—45,325 shares)	1,436	1,020
Debenture conversions (1970—139,961 shares; 1969—10,381 shares)	4,203	314
	25,982	20,343
Less transfer to Common Stock account representing par value of shares issued as the result of 3-for-2 stock split	1,847	-0-
Balance at end of year	$24,135	$20,343

Notes to Consolidated Financial Statements

Note H:—On July 10, 1970, pursuant to approval by the stockholders of the Company, the authorized Common Stock was increased to 20,000,000 shares and a 3-for-2 stock split was effected and the issued and outstanding Common Stock and per share data were adjusted accordingly.

DIAMOND LABORATORIES, INC.

Consolidated Statement of Additional Paid-in Capital

For the year ended July 31	1970	1969
Balance, beginning of year	$1,443,214	$1,441,801
Excess of value for services rendered as determined by the Board of Directors over the cost of treasury stock issued (cost over value for services)	(1,111)	1,413
Par value of 206,180 shares of common stock issued in 3 for 2 stock split effected in the form of a stock dividend	(206,180)	–
	$1,235,923	$1,443,214

Notes to Consolidated Financial Statements

Note 8: Capital Stock— 5% cumulative convertible preferred, par value—$14.00 per share; authorized and issued—75,000 shares.

1% junior preferred, par value—$10.00 per share; authorized—100,000 shares, issued—60,000 shares.

Common stock, par value—$1.00 per share; authorized—1,000,000 shares, issued—619,274 shares.

Treasury stock, common 751 shares.

On April 3, 1970, the company issued 206,180 shares of common stock in a 3 for 2 stock split effected in the form of a stock dividend. 1,582 common treasury shares were acquired during the year (509 in the stock split) and 889 shares were distributed to employees as compensation in 1970.

THE PITTSTON COMPANY

Consolidated Statement of Stockholders' Equity

Year Ended December 31, 1970 With Comparative Figures for 1969

	Common Stock	Capital in Excess of Par value	Retained Earnings	Treasury Stock
Balance at December 31, 1968	$ 4,816,913	$68,057,848	$59,324,265	($2,767,289)
Consolidated net income	–	–	17,186,013	–
Market value of 137,360 shares of common stock issued as a 3% stock dividend February 7, 1969, plus $242,338 cash paid in lieu of issuance of fractional shares	137,360	8,230,611	(8,610,309)	–
Sale of 40,230 shares of Common Stock under Stock Option Plans	40,230	961,502	–	–
Cash dividends declared—$.38* per share	–	–	(5,848,431)	–
Other items	1,000	53,563	–	(27,167)
Balance at December 31, 1969	4,995,503	77,303,524	62,051,538	(2,794,456)
Consolidated net income	–	–	39,442,497	–
Market value of 142,238 shares of Common Stock issued as a 3% stock dividend February 9, 1970, plus $373,976 cash paid in lieu of issuance of fractional shares	142,238	10,353,504	(10,869,718)	–
Sale of 55,244 shares of Common Stock under Stock Option Plans	55,244	507,987	–	–
Par value of 10,279,470 shares of Common Stock issued as a 200% stock distribution in June 1970	10,279,470	(10,279,470)	–	–
Exchange of 97,780 shares of Treasury Common Stock for net assets acquired in a transaction accounted for as a pooling of interests	–	10,158	(372,048)	849,807
Cash dividends declared – $.51* per share	–	–	(7,967,144)	–
Other items	–	–	–	(22,442)
Balance at December 31, 1970	$15,472,455	$77,895,703	$82,285,125	($1,967,091)

*Adjusted for all stock dividends and distributions, including the 3% stock dividend paid February 1971.

TABLE 4-8: STOCK SPLITS

Ratio*	1970	1969	1968	1967
Less than three-for-two	–	1	4	4
A: Three-for-two (50%) or more, but lessthan two-for-one	10	9	19	12
B: Two-for-one (100%)	18	56	54	37
C: Greater than two-for-one	5	5	7	4
Total	33	71	84	57
Account Charged*				
D: Additional capitai	13	29	31	22
Additional capital (if any) eliminated balance to retained earnings	–	5	8	7
E: Retained earnings (additional capital not charged)	9	4	10	6
F: No change in capital accounts	11	33	35	22
Total	33	71	84	57

*Refer to Company Appendix Section—A: 147, 454, 711; B: 153, 359, 386, 451, 637, 706; C: 64, 729; D: 163, 288; E: 374, 389; F: 96, 106, 395.

Notes to Financial Statements

Note 5: Capital Stock—In May 1970, the stockholders increased the Company's authorized capital to 27,000,000 shares, consisting of 25,000,000 shares of Common Stock, par value $1 per share, and 2,000,000 shares of Preferred Stock, par value $10 per share.

In June 1970, the Company issued 10,279,470 shares of its Common Stock as a result of the declaration of a 200% stock distribution on February 26, 1970.

On December 21, 1970, the directors declared a 3% stock dividend, resulting in the issuance of 457,585 additional shares of Common Stock on February 11, 1971.

At December 31, 1970, retained earnings of $17,768,026 were appropriated for the issuance of the stock dividend.

As of December 31, 1970, the Company held 225,159 shares of Common Stock in its Treasury, compared with 321,534 shares at the end of 1969, adjusted for the 200% stock distribution paid in 1970.

Charge to Retained Earnings

MELVILLE SHOE CORPORATION

Statement of Consolidated Retained Earnings

Years ended December 31, 1970 and 1969

	1970	1969
Retained earnings at beginning of year	$57,705,057	$45,184,181
Add: Net earnings for year	20,818,587	19,049,974
Retained earnings of companies acquired	53,187	1,128,104
	78,576,831	65,362,259
Deduct:		
Cash dividends paid:		
Preferred stock, Series B, $4.00 a share	380,968	395,674
Common stock, $.75 a share; 1969, $.65 a share	8,653,922	7,261,528
Transfer to common stock account of an amount equal to $1 par value per share to give effect to two-for-one common stock split	5,785,126	–
	14,820,016	7,657,202
Retained earnings at end of year	$63,756,815	$57,705,057

Notes to Consolidated Financial Statements

Common Stock—On April 14, 1970, the shareholders approved a two-for-one stock split and an increase in the number of authorized shares of $1 par value common stock from 10,000,000 to 15,000,000 shares. Per share earnings and dividends for 1969 have been restated to give effect to the stock split.

Transactions during the year are as follows:

	Number of Shares	Amount
Balance at beginning of year	5,777,266	$15,663,896
Common stock issued to effect acquisitions (Note 1)	60,167	338,250
Transfer from retained earnings of an amount equal to $1 par value per share to give effect to two-for-one common stock split	5,785,126	5,785,126
Excess of par value over cost of cancelled preferred stock held in treasury	–	244,171
Excess of cost over proceeds of common stock held in treasury sold under stock option plans	–	(35,658)
Balance at end of year	11,622,559	$21,995,785

Common stock includes additional capital amounting to $9,066,897, which arose from conversion of 4% preferred stock into shares of common stock prior to redemption of the 4% preferred stock in February 1950 and is included in common stock in accordance with statutory requirements. In addition, common stock includes $962,645 arising from purchases of preferred stock at less than par value, $169,231 attributable to the excess of proceeds received from exercise of stock options over the cost of treasury shares issued and $174,453 arising from acquisitions.

THE EASTERN COMPANY

Statements of Retained Earnings

Retained Earnings:	Fiscal Year Ended January 2 1971	December 27 1969
Retained earnings, beginning of year	$6,077,400	$5,464,389
Net income	1,002,122	1,217,106
	7,079,522	6,681,495
Cash dividends (1970—$.95 per share; 1969—$.93 per share)—Note G	614,538	604,095
Transfer to Common Stock account for par value of 218,054 shares of Common Stock issued as a stock distribution—Note G	2,725,675	–
Retained earnings, end of year	$3,739,309	$6,077,400

Note G: Authorized Common Stock and Stock Split—At the annual meeting of stockholders on April 22, 1970, the stockholders approved an increase in the number of authorized shares of the Company's Common Stock of $12.50 par value from 640,000 shares to 1,500,000 shares.

On April 22, 1970, the Board of Directors declared a three for two stock split of the Company's $12.50 par value Common Stock which resulted in the distribution on June 26, 1970 of 218,054 shares, including 1,626 shares added to Common Stock in treasury. Accordingly, $2,725,675 representing the par value of additional shares issued, has been transferred from retained earnings to the Common Stock account. The par value ($20,325) of additional treasury shares issued has been added to Common Stock in treasury and capital surplus. The number of shares and per share amounts shown in the accompanying financial statements and related notes have been stated, where applicable, after giving effect to the stock split.

No Change in Capital Accounts

PFIZER INC.

Notes to Consolidated Financial Statements

Capital Changes—At the 1970 Annual Meeting, the shareholders approved an increase in the number of shares of authorized common stock from 25,000,000 to 85,000,000 and the distribution of two additional shares for each share held by shareholders of record at the close of business on April 27, 1970. The increase of these shares had no effect on the amount assigned to the capital accounts. The accompanying financial statements have been appropriately adjusted to reflect the stock split.

There were no significant capital changes other than those specified in the note on stock options.

ARCHER DANIELS MIDLAND COMPANY

Statement of Consolidated Shareholders' Equity in part

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Reinvested Earnings
Balance July 1, 1968, as previously reported	1,650,062	$33,382,734	$656,978	$67,812,190
Acquisition of company retroactively pooled—(Note 1)	98,612	(3,214,833)	(121,935)	699,504
Balance July 1, 1968, as restated	1,748,674	30,167,901	535,043	68,511,694
Net earnings	.	.	.	3,140,296
Cash dividends paid —$.80 a share (after 2 for 1 split in May 1970)	.	.	.	(1,926,033)
Exercise of employee stock options	.	.	3,005	.
Purchases of stock for treasury				
Stock transactions of pooled company prior to acquisition	11,028	175,000	.	.
Balance June 30, 1969, as restated	1,759,702	30,342,901	538,048	69,725,957
Net earnings	.	.	.	8,737,355
Cash dividends paid —$.85 a share (after 2 for 1 split in May, 1970)	.	.	.	(2,520,940)
Exercise of employee stock options	.	.	(106,221)	.
Purchases of stock for treasurv				
Stock transactions of pooled company prior to acquisition	24,242	384,702	598,841	
2 for 1 stock split	1,783,944			
Balance June 30, 1970	3,567,888	$30,727,603	$1,030,668	$75,942,372

Notes to Financial Statements

Note 8 (in part): Capital Stock—no par value—The Company has authorized 500,000 shares of Preferred Stock issuable in series at terms to be fixed by the Board of Directors at time of issue. None has been issued.

The Company has authorized 6,000,000 shares of Common Stock of which 3,159,918 shares were outstanding at June 30, 1970 and 3,142,004 shares (after 2 for 1 split and after restatement for pooling of interest) were outstanding at June 30, 1969. 133,500 shares of Common Stock in treasury which are owned by a subsidiary company have been pledged as collateral to the subsidiary's notes payable.

TABLE 4-9: CREDITS TO CAPITAL ACCOUNTS

Nature of Credit	Common Stock	Preferred Stock	Additional Capital
Sale or issuance of stock:			
Conversion of preferred	113	4	53
Conversion of debt	76	5	69
Business combinations	146	20	91
Stock options	328	5	269
Other sales and issuances	99	37	65
Warrants and rights	12	–	26
Purchase or retirement of stock	–	–	43
Other—identified	39	9	24
Unidentified	45	14	37
Total Credits	858	94	677

CREDITS TO CAPITAL ACCOUNTS

Table 4-9 summarizes credits to capital accounts. Examples follow of credits to capital accounts.

Stock Issued in Connection with Employee Plans

BURLINGTON INDUSTRIES, INC.

Consolidated Statement of Capital in Excess of Par Value

(Dollar amounts in thousands)
For the Period from September 28, 1969 to October 3, 1970 with comparative figures from September 29, 1968 to September 27, 1969

	1970	1969
Amount at beginning of period	$167,033	$159,665
Add:		
Excess of net proceeds over par value of authorized common stock issued upon exercise of option rights	1,143	1,396
Excess of market value over par value of authorized common stock issued to Employees' Profit Sharing (Retirement) Plan	5,186	5,972
Government grant to an international subsidiary, net of related minority interests	1,665	---
Amount at end of period	$175,027	$167,033

CHRYSLER CORPORATION

Consolidated Statement of Additional Paid-In Capital

Year ended December 31	1970	1969
Balance at beginning of year	$455,739,253	$421,184,933
Excess of market price over par value of newly issued shares of Common Stock sold to the thrift-stock ownership programs (1,556,843 in 1970; 927,276 in 1969)	28,281,685	33,796,320
Excess of option price over par value of shares of Common Stock issued under the stock option plans (none in 1970; 25,172 in 1969)	---	758,000
Balance at end of year	$484,020,938	$455,739,253

McGRAW-EDISON COMPANY

Consolidated Statement of Additional Paid-In Capital

For the Years Ended December 31, 1970 and 1969

	1970	1969
Balance at Beginning of Year	$52,675,000	$54,928,000
Proceeds in excess of par value of 4,175 shares of stock in 1970 and 45,945 in 1969 sold under stock option plans	80,000	1,107,000
Paid-in capital arising from acquisition of treasury shares in 1969 and issuing of shares in 1970 principally in satisfaction of the company's profit sharing contribution liability	4,176,000	(3,360,000)
Balance at end of year	$56,931,000	$52,675,000

Notes to Consolidated Financial Statements

Note 5: Changes in McGraw-Edison Company $1 par value, common stock during the year 1970 were as follows:

	Shares Issued	Shares in Treasury	Shares Issued And Outstanding
Balance December 31, 1969	13,856,876	200,334	13,656,542
Shares issued under stock option plans	4,175	---	4,175
Shares issued to profit sharing trust	---	(149,332)	149,332
Shares issued for the capital stock of Northern Industries, Inc.	---	(8,500)	8,500
Balance December 31, 1970	13,861,051	42,502	13,818,549

Purchase Acquisitions

THE DUPLAN CORPORATION

Consolidated Statements of Paid-In Capital for the Years Ended September 30, 1970 and 1969

	1970	1969
Balance, beginning of year	$8,935,626	$8,188,431
Additions:		
Excess of estimated market value over cost of treasury stock issued as employee bonus	37,111	15,419
Excess of proceeds over par value of common shares issued for stock options exercised	66,616	208,362
Excess of estimated market value over par value of stock issued for acquisitions	20,958,296	511,214
Excess of estimated market value over cost of treasury stock issued for 2% stock dividend	580,052	---
Tax benefit related to sale, by employee, of company stock obtained via stock option plan	---	57,000
	30,577,701	8,980,426
Deductions:		
Par value of preferred stock considered issued	37,000	44,800
Balance, end of year	$30,540,701	$8,935,626

Notes to Consolidated Financial Statements

Note (1) (in part): Acquisitions—On June 1, 1970, the Corporation acquired all the outstanding stock of Andrex Mills, Inc., and Andrex Industries, Inc., and 45% of the outstanding stock of Laga Industries Ltd. As of November 30, 1970, the Corporation will acquire the remaining 55% of the outstanding stock of Laga Industries Ltd. The purchase price to acquire all the outstanding stock of the three Companies consists of an initial payment of approximately $500,000 in cash and 15,501 shares of the Corporation's common stock, and a final payment in February, 1975, not to exceed $10,000,000 which will consist of cash, 5% subordinated notes, and 5% convertible notes convertible into the Corporation's common stock at $45 per share. Upon the maturity of such notes, the Corporation will also purchase $500,000 aggregate principal amount of the presently outstanding 7½% debentures of the three Companies from the holders. The amount of the final payment will be contingent upon the earnings of the three Companies during the period commencing October 1, 1971, and ending September 30, 1974. For accounting purposes, the above purchase was recorded as if all the outstanding stock of the three Companies were purchased June 1, 1970.

On June 18, 1970, the Corporation issued 661,850 shares of its common stock to Sarb Inc. in exchange for the assets of Sarb Inc. consisting of 661,850 shares of the common stock of the Corporation. Based on a formula, the Corporation may issue an additional 150 shares of its common stock to Sarb Inc. in exchange for the cash of Sarb Inc. remaining after the discharge by Sarb Inc. of its liabilities.

Additional payments of approximately $1,785,000 have been accrued for the year ended September 30, 1970, 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, 1970, the maximum additional amounts contingently payable in connection with these two acquisitions could approximate $3,975,000.

For accounting purposes, 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." The Corporation believes the "Excess of Purchase Price Over Net Assets of Companies Acquired" is of such a nature that amortization is not required.

J. RAY MCDERMOTT & CO., INC.

Consolidated Statements of Retained Earnings and Capital in Excess of Par Value

	March 31, 1970	1969
Retained Earnings:		
Balance, beginning of year	$117,378,917	$94,740,908
Add:		
Net income	27,916,042	29,901,126
	$145,294,959	$124,642,034

Deduct:		
Cash dividends paid on common stock ($1.00 per share)	$6,604,299	$6,288,893
Dividend in kind	---	974,224
	$6,604,299	$7,263,117
Balance, end of year	$138,690,660	$117,378,917
Capital in excess of par value:		
Balance, beginning of year	$38,898,912	$31,777,383
Add:		
Excess of proceeds over par value of common stock issued upon exercise of stock options	745,789	985,054
Excess of market value over par value of common stock issued in connection with the executive career stock plan	---	6,136,475
Excess of market value over par value of common stock issued in connection with the acquisition of Hudson Engineering Corporation	21,883,000	---
Excess of market value over cost of treasury shares issued in connection with the acquisition of certain assets of Wagley Construction, Inc.	769,666	---
Balance, end of year	$62,297,367	$38,898,912

Notes to Consolidated Financial Statements

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

In June, 1969 the Company acquired all the capital stock of Hudson Engineering Corporation, Houston, Texas in exchange for 316,000 shares of the common stock of the Company.

In August, 1969 the Company acquired for 16,700 shares of common stock certain assets of Wagley Construction, Inc. and formed Wagley, Inc. with said assets. Of the foregoing stock, 5,600 shares were placed in escrow and are to be issued over a future period of time depending on the earnings of the new corporation.

The acquisitions of Hudson Engineering Corporation and Wagley, Inc. have been accounted for as purchases. The accounts of these companies have been included in the financial statements from dates of acquisition. The excess of cost over the net assets of these purchased companies in the amount of $10,902,323, of which $2,512,093 was allocated to land acquired and $1,130,938 to marketable securities, the balance of $7,259,292 is not being amortized since, in the opinion of management, there has been no diminution in its value.

Warrants

AMERICAN METAL CLIMAX, INC.

Notes to Financial Statements

Note 9 (in part): Shareholders Equity—Paid in capital was credited with the estimated market value of the 761,666 warrants attached to the $76,170,000 principal amount of 8% Subordinated Debentures due January 1, 1986 which were issued in connection with the reduction of capital of RST pursuant to which RST became a wholly-owned subsidiary of Amax. The warrants expire October 1, 1977 and entitle the holders to purchase shares of Amax Common Stock at the rate of one share per warrant at the purchase price of $47.50 per share, subject to adjustment as set forth in the warrant agreement.

	Preferred Stock		Common Stock		Paid in Capital
	Number of Shares	$000 Amount	Number of Shares	$000 Amount	$000 Amount
Balances at December 31, 1968	102,649	10,265	15,505,394	111,196	9,794
Conversion and redemption of 4¼% Preferred Stock in 1969	(102,649)	(10,265)	261,199	10,014	(10)
3-for-2 Common Stock split	--	--	7,873,007	7,873	(7,873)
Write-down of Common Stock to $1 par value	--	--		(105,444)	105,444
Issuance of Series A Preferred Stock, par value $1 per share, to Ayrshire stockholders	790,891	791	--	--	59,712
Stock options exercised in 1969	--	--	29,733	30	1,034
Balances at December 31, 1969	790,891	791	23,669,333	23,669	168,101
Value ascribed to warrants attached to 8% Amax Debentures	--	--	--	--	9,140
Conversion of Series A Preferred Stock in 1970	(4,023)	(4)	9,788	10	(6)
Stock options exercised in 1970	--	--	9,383	10	266
Balances at December 31, 1970	786,868	787	23,688,504	23,689	177,501

Common Stock balances at December 31, 1968-1970 include treasury shares of 15,100, 17,205 and 19,996 respectively.

IOWA BEEF PROCESSORS, INC.

Consolidated Statement of Stockholders' Equity

	Common Stock		Additional paid-in capital	Retained earnings
	Shares	Amount		
Balance, November 2, 1968	2,151,802	$3,228,000	$2,752,000	$23,328,000
Common stock options exercised	18,243	27,000	425,000	–
Common stock warrants exercised	1,400	2,000	15,000	–
Net earnings	–	–	–	3,312,000
Balance, November 1, 1969	2,171,445	3,257,000	3,192,000	26,640,000
Common stock options exercised	2,285	3,000	45,000	–
Common stock warrants exercised	2,350	4,000	24,000	–
Value of detachable warrants issued with 9⅞% secured bonds	–	–	2,475,000	–
Net earnings	–	–	–	577,000
Balance, October 31, 1971	2,176,080	$3,264,000	$5,736,000	$27,217,000

Notes to Consolidated Financial Statements

Note 1 (in part): Capital Stock, Options and Warrants —A warrant to purchase 20 shares of the Company's common stock was attached to each of the 9⅞% Secured Bonds, $1,000 principal amount. The warrants are exercisable at $25 per share (subject to anti-dilution provisions) until September 15, 1975, the expiration date. Warrants to purchase 300,000 shares of common stock were outstanding at October 31, 1970.

A warrant to purchase 50 shares of the Company's common stock was attached to each of the 6% Subordinated Sinking Fund Debentures, Series B, $1,000 principal amount. The warrants are exercisable at $12 per share (subject to anti-dilution provisions) until March 31, 1971, the expiration date. Warrants to purchase 11,950 shares of common stock were outstanding at October 31, 1970.

Rights

UNITED FOODS, INC.

Consolidated Statement of Additional Paid-In Capital and (Deficit) Retained Earnings

(Retained Earnings portion omitted)

	Year Ended February 28,	
Additional Paid-In Capital	1970	1969
Amount at beginning of the year	$4,223,885	$2,939,776
Excess of market value over par value of common shares issued as follows:		
5% stock dividend—54,664 shares	–	874,624
Note payment to former stockholders of Othello Packers, Inc.—6,102 and 4,013 shares, respectively	17,731	46,815
Excess of proceeds over par value of common shares issued for:		
Sale of 240,000 shares	–	360,000
Sale of 960,974 shares in public rights offering less $243,779 costs of issue	2,278,896	–
Exercise of common stock purchase warrants for 795 shares	1,193	–
Exercise of stock option—500 shares	–	2,670
Excess of face amount of 6% and 6½% convertible subordinated notes over par value of 302,000 common shares issued less $67,748 unamortized costs	1,140,252	–
Proceeds from issuance of notes attributable to related common stock purchase warrants	53,921	–
Amount at end of the year	$7,715,878	$4,223,885

Notes to Consolidated Financial Statements

Note 6 (in part): Capital Stock—In November 1969, the company made a public rights offering of 575,000 units consisting of 1,150,000 shares of common stock and 575,000 common stock purchase warrants to purchase 575,000 shares of common stock. The warrants are exercisable at a price of $2.50 per share to and including April 15, 1972, and thereafter $3.50 per share to and including April 15, 1979. The result of this subscription offering and other capital changes during the year is summarized as follows:

	Common Stock		Additional Paid-In
	Shares	Par Value	Capital
Balance—Beginning of year	1,407,064	$1,407,064	$4,223,885
Note payments to former stockholders of Othello Packers, Inc. (payable in common stock)	6,102	6,102	17,731
Sale of common stock in public rights offering	960,974	960,974	2,278,896
Common stock purchase warrants exercised	795	795	1,193
Conversion of 6% and 6½% convertible subordinated notes	302,000	302,000	1,140,252
Proceeds from issuance of notes attributable to related common stock purchase warrants	–	–	53,921
Balance—End of year	2,676,935	$2,676,935	$7,715,878

Reorganization

ASG INDUSTRIES INC.

Consolidated statement of Shareholders' Equity (in part)

	6% Cumulative Preference	Common	Paid-in Capital	Retained Earnings
Balance, January 1, 1969	$3,000,000	$8,722,073	$6,164,979	$3,342,100
Net loss for the year	–	–	–	(1,110,424)
Balance, December 31, 1969, as previously reported	3,000,000	8,722,073	6,164,979	2,231,676
Reduction in par value of common stock from $7.50 to $1.00 per share (Note 1)	–	(7,559,130)	7,559,130	–
Retirement of 1,490 shares of 5% CumulativePreferred stock held in the treasury	–	–	5,228	–
Balance, December 31, 1969 as restated	3,000,000	1,162,943	13,729,337	2,231,676
Exchange by Compagnie de Saint-Gobain of $6,276,000 principal amount of 5½% Subordinated Convertible Debentures, $250,000 Convertible Note, and $1,125,000 of other indebtedness into common stock (Note 1)	–	918,120	6,732,880	–

Exchange by Compagnie de Saint-Gobain of 30,000 shares of 6% Cumulative Preference stock for common stock (Note 1)	(3,000,000)	240,000	2,760,000	–
Exchange of $26,300 principal amount of publicly held 5½% Subordinated Convertible Debentures into common stock (Note 1)	–	3,156	23,144	–
Adjustment of unamortized debt discount and other expense related to the exchange of the 5½% Subordinated Convertible Debentures and reorganization (Note 1)	–	–	(183,307)	–
Exchange of 15,998 shares of 5% Cumulative Preferred stock into common stock (Note 1)	–	31,996	367,954	–
Net loss for the year	–	–	–	(15,099,781)
Elimination of deficit through quasi-reorganization (Note 10)	–	–	(12,868,105)	12,868,105
Balance, December 31, 1970	$ –	$2,356,215	$10,561,903	$ –

Note 1: Reorganization—At a special meeting of shareholders on July 23, 1970, a number of proposals were voted upon and approved. These proposals included, among others, the following: (a) The reduction in par value of common stock from $7.50 to $1.00 per share and an increase in the number of common shares authorized from 2,500,000 to 10,000,000 shares. These changes have been retroactively reflected in the accompanying financial statements for comparative purposes. (b) The elimination of preemptive rights of common shareholders. (c) The exchange of 30,000 shares of 6% Cumulative Preference stock owned by Compagnie de Saint-Gobain-Pont-a-Mousson and substantially all amounts owing to Saint-Gobain for 1,158,120 shares of common stock. (d) An exchange offer to holders of 5½% Subordinated Convertible Debentures and 5% Cumulative Preferred stock, other than Compagnie de Saint-Gobain, to exchange such holdings for common stock of the Company on substantially the same basis as Compagnie de Saint-Gobain. (e) The grant of an assignable option to Loud and Associates to purchase up to 1,000,000 shares of common stock or securities convertible into such shares, exercisable prior to June 30, 1982, at $5.00 per share (see also Note 4).

The reorganization of the Company also included the sale by Compagnie de Saint-Gobain of its entire interest in the common stock of the Company (1,831,320 shares, 78%) to Loud and Associates and the exchange by Prudential Insurance Company of America, holder of the Company's 6% First Mortgage Bonds, due April 1, 1982, of 8 semi-annual sinking fund payments, commencing with the one due April 1, 1970, aggregating $7,260,000 for $7,260,000 of 6% Convertible Bonds, due April 1, 1982 (see also Note 2).

Note 10: Quasi-Reorganization—The Board of Directors has authorized the elimination of the deficit of $12,868,105 by a charge to paid-in capital through a quasi-reorganization. Common shareholders will be requested to ratify this action at the next annual meeting. Common shareholders owning approximately 80% of the outstanding common stock have indicated their intention to vote for the ratification of the Directors' action.

Change to Par Value

MARSHALL FIELD & COMPANY

Fiscal Years Ended January 31, 1971 and 1970

Paid-In Surplus

	1971	1970
Balance at beginning of year	$ 8,904,669	$8,947,594
Excess of fair market value over par value of stock issued in acquisition	8,605,838	–
Excess of stated value over par value of common stock converted from no par value to par value	13,735,920	–
Excess of cost over par value of Series A and B preferred stock purchased and retired	(30,991)	–
Expenses of poolings of interests	–	(42,925)
Balance at end of year	$31,215,436	$8,904,669

Notes to Financial Statements

Note 1: On November 30, 1970, the Company, through a subsidiary, acquired all of the outstanding common and preferred shares of The Halle Brothers Company in exchange for the following shares of Marshall Field & Company:

397,133 common shares
21,719 Series A preferred shares
21,000 Series B preferred shares

This merger has been accounted for as a purchase. The shares issued have been recorded at their fair market value of $9,045,690 on June 24, 1970, the date that an agreement in principle was reached. The par value of $1 per share has been credited to the respective capital stock accounts and the balance of the $9,045,690 purchase price to paid-in surplus. Assets and liabilities of Halle are reflected at their fair value as determined by the purchase price. The accompanying consolidated financial statements include the results of operations of Halle for the two months ended January 31, 1971 and its assets and liabilities as of that date.

Note 5:—On May 15, 1970, in accordance with the Agreement and Plan of Merger changing the Company's state of incorporation from Illinois to Delaware as approved by stockholders on May 6, 1970, all of the 8,757,838 issued common shares were converted from no par value to a par value of $1 per share and the excess of stated value over par value in the amount of $13,735,920 was transferred from the common stock account to paid-in surplus.

Public Offering of Stock

BEMIS COMPANY, INC.

Notes to 1970 Financial Statements

Note 12: Stockholders' Equity—Changes in stockholders' equity during the year ended December 31, 1970, were as follows:

	First preferred stock	Capital in excess of par value	Treasury common stock	Retained income
Balance at December 31, 1969	$135,100	$ 9,893,776	$101,227	$44,936,822
Net loss for the year				(199,145)
Cash dividends declared:				
First preferred stock, $5 per share				(6,670)
Series preferred stock $5 per share.				(679,640)
Common stock, $.85 per share				(3,626,858)
Treasury common stock issued for incentive awards		2,029	(97,332)	
Redemption of first preferred stock at a discount	(1,700)	170		
Excess of proceeds over par value of common stock sold by a subsidiary (Note 7)		3,110,819		
Balance at December 31, 1970	$133,400	$13,006,794	$ 3,895	$40,424,509

The 135,928 shares of outstanding series preferred stock are convertible to 458,498 shares of common stock and redeemable in various amounts beginning in 1974 at a price of $105 per share, decreasing to $100 per share in following years.

All series preferred stock has equal voting rights with common stock. Under the terms of the loan agreement relating to the 6⅜% debentures due August 1, 1992, retained income of $16,100,000 is not restricted as to payment of cash dividends.

Note 7: Minority Interests—During 1970 one of the Company's consolidated subsidiaries had a public offering of a portion of its authorized but previously unissued common stock, the result of which decreased the Company's ownership in the subsidiary by 11.4%. The Company's share of the excess of the proceeds from this offering over the par value of the shares sold has been included in capital in excess of par value on the consolidated balance sheet.

Under the terms of an agreement with the minority shareholders of another consolidated subsidiary, the Company may be required to purchase their minority interests for approximately $2,100,000 as of December 31, 1970, which amount is approximately $1,300,000 in excess of the Company's carrying value of the minority interest at that date.

TABLE 4-10: CHARGES TO CAPITAL ACCOUNTS

Nature of charge	Common stock	Preferred stock	Additional capital
Conversion of preferred stock	–	113	20
Purchase or retirement of stock	130	85	34
Business combinations	6	–	68
Treasury stock issued for less than cost	2	–	37
Other—described	21	2	54
Unidentified	33	18	35
Total Charges	192	218	236

CHARGES TO CAPITAL ACCOUNTS

Table 4-10 summarizes charges to capital accounts by the 600 survey companies. Examples of charges to capital accounts follow.

Purchase or Redemption of Capital Stock

CITIES SERVICE COMPANY

Consolidated Capital Surplus

Years ended December 31,	1970	1969
Amount at beginning of year	$78,000,000	64,400,000
Credit resulting from retirement of Common Stock received in exchange for Atlantic Richfield Company Common Stock	–	9,200,000
Credit (net) resulting from issuance of treasury stock in exchange for properties	–	3,310,000
Excess of proceeds over assigned value of stock (or cost of treasury stock) issued on exercise of options	305,000	1,100,000
Excess of market value over cost of treasury stock issued under incentive compensation plan	25,000	35,000
Excess of the redemption price of the Convertible Preferred and Preference Stocks over assigned value thereof	(2,000,000)	–
Excess of payments over assigned value of fractional shares arising from conversion of Preferred and Preference Stocks into Common Stock	(130,000)	(45,000)
Amount at end of year	$76,200,000	78,000,000

Notes to Consolidated Financial Statements

Note 10:—At December 31, 1970 there were 40,000,000 authorized shares of $5.00 par value Common Stock of which 28,619,106 shares were issued including 626,209 shares in treasury. There were 639,008 shares reserved for issuance under the various stock option plans.

Changes in shares of capital stock during 1970 were as follows:

	Common Issued*	Common Treasury	Preferred	Preference
Balance at 1-1-70	27,282,184	549,810	165,566	472,926
Purchases (cost $3,300,000)	–	83,600	–	–
Conversions	1,335,309	–	(156,796)	(448,221)
Redemptions	–	–	(8,770)	(28,517)
Issued:				
Exercise of stock options	1,613	(2,246)	–	3,812
Under Incentive Compensation Plan	–	(4,955)	–	–
Balance at 12/31/70	28,619,106	626,209	–	–

*Includes treasury shares.

The Convertible Preferred and Preference Stocks were called for redemption as of November 2, 1970. As a result, 8,770 shares of the Preferred Stock and 28,517 shares of the Preference Stock were redeemed at prices of $104 and $52.50 per share, respectively. The excess ($2,000,000) of the redemption price over the assigned value was charged to capital surplus.

NORTH AMERICAN ROCKWELL CORPORATION

Consolidated Capital Stock and Additional Capital

	Capital Stock Preferred Series A	Capital Stock Preferred Series B	Capital Stock Common	Additional Capital
Balance at September 30, 1968	$3,652,000	$3,640,000	$23,768,000	$141,073,000
Add (deduct):				
Exercise of employee stock options		22,000	117,000	3,496,000
Conversion of preferred stock	(81,000)	(123,000)	204,000	(1,000)
Portion of cost of treasury stock purchased			(180,000)	(886,000)
Expense of acquisitions				(496,000)
Balance at Sep. 30, 1969	3,571,000	3,539,000	23,909,000	143,186,000
Add (deduct):				
Issuances for purchased company	158,000		117,000	5,266,000
Exercise of employee stock options		5,000		76,000
Conversion of preferred stock		(587,000)	587,000	
Portion of cost of treasury stock	(6,000)		(2,454,000)	(11,997,000)
Expense of acquisitions				(222,000)
Balance at September 30, 1970	$3,723,000	$2,957,000	$22,159,000	$136,309,000

Reduction in Stated Value

THE ARUNDEL CORPORATION

Consolidated Statement of Stockholders' Equity
(Earnings retained column omitted)

Years Ended December 31, 1970 and 1969

	Common Stock Issued Number of Shares	Common Stock Issued Amount	Capital Surplus	Treasury Stock
Balance, January 1, 1969	495,426	$4,954,260	$1,610,583	$754,920
Reservation of common stock under deferred compensation agreement	–	–	63,000	–
Conversion of 268 shares of Series A preferred stock and 470 shares of Series B preferred stock to 738 shares of common stock	–	–	29,520	29,520
Issuance of 981 shares of common stock under Employees' Stock Purchase Plan	–	–	32,373	(9,810)
Acquisition of 215 shares of Series A preferred stock for treasury	–	–	–	10,180
Balance, December 31, 1969	495,426	4,954,260	1,735,476	784.810
Reservation of common stock under deferred compensation agreement	–	–	63,000	–
Reduction of stated value of common stock from $10 to $9 per share	–	(495,426)	421,774	(73,652)
5% stock dividend	21,090	189,810	711,788	–
Three for one stock split	1,033,032	–	–	–
Conversion of 54 shares of Series A preferred stock and 1,190 shares of Series B preferred stock to 3,806 shares of common stock	178	534	50,457	51,004
Acquisition of 58 shares of Series A preferredfor treasury	–	–	–	2,900
Balance, December 31, 1970	1,549,726	$4,649,178	$2,982,495	$765.062

Notes to Consolidated Financial Statements

Capital Stock (in part)—The Series A and Series B preferred stock is convertible, into 3.15 shares of common stock of the Corporation has the same voting privileges as the common stock (except in certain instances where the approval of each class of stockholder is required) and is callable after March 31, 1973, at par value plus accrued dividends.

On March 30, 1970, the Board of Directors with respect to the common stock authorized (1) a reduction in stated value from $10 to $9 per share, (2) a five percent stock dividend, and (3) a three for one stock split.

Stock Agreement Payments

KINNEY NATIONAL SERVICE, INC.

Consolidated Statement of Paid In Capital

(Thousands of dollars)

Years Ended September 30, 1970, 1969

	1970	1969
	(Note 1)	
Balance at beginning of year, as previously reported	$51,748	$23,586
Effect of pooling of interests	(185)	(185)
Adjusted balance at beginning of year	51,563	23,401
Excess of proceeds over par value of shares issued under stock option plans	3,269	1,084
Excess of par value of Common shares issued over par value of Preferred shares converted into Common shares	(1,424)	(837)
Excess of market value over par value of shares issued under Key Employees' Restricted Stock Plan and stock agreements	2,034	815
Excess of principal amount of Convertible Debentures over par value of Preferred shares issued in exchange therefor	3,564	18,153
Excess of par value of Preferred shares issued under stock agreements over proceeds	(385)	–
Amounts paid under stock agreements (Note 8)	(2,721)	–
Tax benefit arising from disqualifying dispositions of shares issued under stock options	610	–
Excess of market value of restricted stock optionsgranted over option price (Note 8)	–	3,239
Excess of market value over par value of shares issued in acquisitions accounted for as purchases	–	1,616
Gain on sale of talent agency business	–	3,791
Other	492	301
Balance at end of year	$57,002	$51,563

Note 8 (in part): Option Plans and Stock Agreements—Under agreements made prior to the Warner Bros. acquisition, certain holders of shares issued pursuant to that acquisition were guaranteed market values for the Kinney shares received in the acquisition. Based on such agreements, Kinney, during 1970, (1) issued an aggregate of 249,293 Series C shares and 252,409 Series D shares of which 17,379 Series C shares and 17,596 Series D shares, based on September 30, 1970 market prices, are returnable to Kinney and (2) paid an aggregate of $2,721,000. In addition, under certain of the above agreements, Kinney may be required, based on future market prices to issue additional shares; based on September 30, 1970 market prices, no such additional shares are issuable.

Section 5: Statement of Changes in Financial Position

PRESENTATION AND OPINION

Opinion No. 3 – The Statement of Source and Application of Funds, issued in 1963 by the Accounting Principles Board, recommends that a statement of source and application of funds (statement of changes in financial position) be presented as supplementary information in annual reports. The degree to which *Opinion No. 3* has been accepted by the business community, as represented by the survey companies, is shown in Table 5–1. Of those companies shown in Table 5–1 as presenting a statement of changes in financial position, 538, 462, 426, and 392 presented such a statement on a comparative basis in 1970, 1969, 1968 and 1967, respectively.

Opinion No. 19 – Reporting Changes in Financial Position, issued in March 1971 by the Accounting Principles Board, effective for fiscal periods ending after September 30, 1971 supersedes *Opinion No. 3.* Whereas *Opinion No. 3* does not make the presentation of statement of changes in financial position mandatory; *Opinion No. 19,* in paragraph 7, states that "a statement summarizing changes in financial position should also be presented as a basic financial statement for each period for which an income statement is presented."

TABLE 5-1: AUDITORS' REPORT AND STATEMENT OF CHANGES IN FINANCIAL POSITION

Presentation	1970	1969	1968	1967
Statement referred to in auditors' report ..	559	476	443	413
Statement not referred to in auditors' report	14	72	92	111
No such statement presented	27	52	65	76
Total	600	600	600	600

Table 5–2 shows that, when presented, the statement of changes in financial position usually follows the balance sheet and income statement.

TABLE 5-2: POSITION OF STATEMENT OF CHANGES IN FINANCIAL POSITION IN ANNUAL REPORT AND WHETHER COVERED IN AUDITORS' REPORT

	(Number of Companies)		
Position and Auditors Report*	1970	1969	1968
Statements of changes in financial position covered in auditors report:			
Statement included with other financial statements and is:			
A: Final statement	424	366	337
B: Between income statement and balance sheet	45	33	40
C: First statement	31	27	24
D: Other	40	29	18
E: Statement separated from other financial statements	19	21	24
Subtotal	559	476	443
Auditors' report does not refer to statements of changes in financial position:			
Statement included with other financial statements	8	25	41
Statement separated from other financial statements	6	47	51
Subtotal	14	72	92
Companies presenting statement of changes in financial position	573	548	535

*Refer to Company Appendix Section–A: 23, 131, 220, 331, 516, 700; B: 19, 184, 553, 687; C: 116, 570, 649, 729; D: 368, 547, 717; E: 275, 408, 419, 479.

TITLE

Opinion No. 3, applying to the annual reports in this survey, states that the title of a statement of changes in financial position "should be as descriptive as possible" and suggests that titles such as *Statement of Resources Provided and Applied* and *Statement of Source and Application of Funds* are appropriate. *Opinion No. 19* recommends the title be *Statement of Changes in Financial Position.*

Table 5-3 summarizes the titles used by the survey companies to describe the statements of changes in financial position. Nearly 53% of the companies presenting statements of changes in financial position used what is probably the most prevalent textbook title, *Statement of Source and Application of Funds.* Variations of this title 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 seventy-two companies used a title of the form *Source and Application/Use/Disposition of Funds/Working Capital* in 1970.

TABLE 5-3: TITLE OF STATEMENT OF CHANGES IN FINANCIAL POSITION

Terminology*	(Number of Companies Using Title) 1970	1969	1968	1967
Title involves use of word "funds":				
A: Source and application of funds	303	242	223	217
B: Source and use of funds	92	83	85	81
C: Source and disposition of funds	32	41	49	47
D: Funds statement or statement of funds	29	28	21	24
Miscellaneous other uses of "funds"	1	8	12	16
Title involves use of term "working capital":				
E: Changes in working capital or working capital changes	50	60	65	59
F: Source and use of working capital	15	19	18	13
G: Source and disposition of working capital	14	17	17	19
H: Source and application of working capital	16	16	15	16
I: Miscellaneous other uses of "working capital"	8	18	12	18
J: Miscellaneous other titles	13	16	18	14
Companies presenting this statement	573	548	535	524

*Refer to Company Appendix Section – A: 42, 122, 229, 480, 551, 634; B: 339, 403, 586, 607, 707; C: 81, 171, 287, 603; D: 158, 359, 456, 620; E: 31, 283, 334, 541, 649; F: 33, 131, 376; G: 242, 452, 728; H: 145, 258, 611; I: 71, 367, 414; J: 126, 280, 481, 570.

FORM

The format of statements of changes in financial position 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 equivalents. Changes in working capital or cash and cash equivalents are usually shown in one of three forms – as a balancing figure added to either sources or applications, as the statement's final amount, or as an addition to a beginning balance to obtain an ending balance. Table 5-4 summarizes the frequency of the presentation of the three possible forms within each type. In 1970, 529 survey companies accounted for the change in working capital, while 39 analyzed this change in cash and cash equivalents. The respective

TABLE 5-4: FORMS OF STATEMENT OF CHANGES IN FINANCIAL POSITION

Format Used*	1970	1969	1968	1967
Changes in working capital:				
A: Sources equal applications	178	189	181	173
B: Increase (decrease) in working capital	197	171	179	177
C: Ending working capital	154	150	134	132
Changes in cash:				
D: Sources equal applications	9	7	13	12
E: Increase (decrease) in cash or cash and cash equivalent	16	15	12	14
F: Ending cash or cash and cash equivalent	14	11	14	10
Miscellaneous other forms	5	5	2	6
Total	573	548	535	524

*Refer to Company Appendix Section – A: 65, 154, 288, 423, 621, 717; B: 41, 183, 445, 516, 605; C: 22, 126, 272, 373, 452; D: 28, 144; E: 316, 676, 715; F: 43, 202, 380.

comparable figures for prior years were as follows: 1969– 510 and 33; 1968– 494 and 39; and 1967– 482 and 36. Thus, of the companies presenting funds statements in the survey, about 92% in all four years accounted for the change in working capital rather than the change in cash and cash equivalents.

Paragraph 11 of *Opinion No. 19* states:

11. Provided that these guides are met, the Statement may take whatever form gives the most useful portrayal of the financing and investing activities and the changes in financial position of the reporting entity. The Statement may be in balanced form or in a form expressing the changes in financial position in terms of cash, of cash and temporary investments combined, of all quick assets, or of working capital. The Statement should disclose all important changes in financial position for the period covered; accordingly, types of transactions reported may vary substantially in relative importance from one period to another.

The following examples of statements of changes in financial position were presented in annual reports issued prior to the effective date of *Opinion No. 19.*

Sources Equal Applications

MARCOR INC.

Statement of Source and Disposition of Funds

Source of Funds:	
Operations	
Net earnings	$59,637,000
Depreciation and amortization (straight–line method)	54,118,000
Deferred taxes	28,208,000
Provided from Operations	$141,963,000
New long–term debt	8,487,000
Increase in short–term debt	7,492,000
Increase in notes payable to Montgomery Ward Credit Corporation	300,700,000
Sale of stock under stock options	7,898,000
Decrease in receivables	13,836,000
Increase in accounts payable and accrued expenses	37,150,000
Sale of property	1,897,000
Decrease in funds held for construction	22,458,000
Increase in taxes on income–currently payable	12,992,000
Other, net	2,326,000
Total Sources	$557,199,000
Disposition of Funds:	
Property additions and improvements	$159,771,000
Increase in cash and marketable securities	215,703,000
Increase in inventory	67,701,000
Increase in prepaid expenses	15,621,000
Increase in investments and other assets	33,468,000
Reduction in long–term borrowings	33,147,000
Cash dividends	31,788,000
Total Dispositions	$557,199,000

McGRAW–HILL, INC.

Consolidated Statement of Sources and uses of Funds

	(Thousands of dollars)
Sources of funds:	
From operations:	
Net income	$22,620
Charges (credits) to income not affecting funds:	
Depreciation (straight–line method)	4,237
Increase (decrease) in non–current portion of deferred income taxes	(1,049)
Long–term receivable arising from sale of building	(12,200)
Non-current portion of accrued relocation costs	5,149
Write–down of publication titles, copyrights, subscription lists, and goodwill	3,835
	22,592
Sale of securities held for investment	5,811
Property and equipment sold, net of accumulated depreciation	2,131
Sale of capital stock upon exercise of options	96
Fair market value of common stock issued in acquisitions	660
	$31,290
Uses of funds:	
Dividends	$15,457
Increase in other long–term receivables	2,426
Purchase of property and equipment	2,996
Repurchase of 3⅞% convertible debentures	1,100
Purchase of treasury stock	653
Investment in new ventures	1,264
Investment in and advances to Rock–McGraw, Inc.	477
Reduction in long–term borrowing	656
Other	929
Increase in working capital	5,332
	$31,290
Increase in working capital consists of:	
Increase (decrease) in current assets:	
Cash	$1,729
Marketable securities	(2,029)
Accounts receivable	4,889
Inventories	3,618
Increase in current assets	8,207
Increase (decrease) in current liabilities:	
Notes payable	(4,788)
Accounts payable	(2,825)
Accrued royalties	764
Other accrued liabilities	2,318
Accrued income taxes currently payable	7,317
Accrued income taxes deferred	1,079
Unearned service contracts	(990)
Increase in current liabilities	2,875
Increase in working capital	$5,332

Increase (Decrease) in Working Capital

AVCO CORPORATION

Consolidated Working Capital

Sources of Working Capital	(Thousands of dollars)
From operations	
Net earnings	$21,251
Depreciation of property, plant and equipment	18,491
Earnings of unconsolidated subsidiaries, less cash dividends received:$19,466,000 in 1970	(9,304)
	30,438
Additions to long-term debt	293,806
Sales of property, plant and equipment and other, net	6,846
Total	331,090
Uses of Working Capital	
Cash investment in Huntington Savings and Loan Association	20,998
Other cash investments in unconsolidated subsidiaries	7,601
Cash dividends paid	23,579
Additions to property, plant and equipment	23,386
Reductions in long-term debt	26,331
Increase in miscellaneous investments and other assets	14,505
Total	116,400
Increase in Working Capital	$214,690

A. O. SMITH CORPORATION

Consolidated Statement of Source and Use of Working Capital

Source of Working Capital:	
Net earnings	$9,433,004
Depreciation	9,850,821
Plant and equipment disposals	1,388,145
Deferred federal income taxes	627,275
Equity in losses of unconsolidated affiliates	1,737,344
Other items not involving working capital	709,201
	23,745,790
Proceeds from sale of debentures, less related costs of $708,776	34,291,224
Proceeds from exercise of stock options	451,797
	58,488,811
Use of Working Capital:	
Cash dividends paid	3,456,506
Payments on long-term debt	1,641,438
Plant and equipment expenditures	23,267,000
Investments in subsidiaries and affiliates	5,450,815
Purchase of treasury stock	1,494,850
Deferred model changeover expenditures	1,936,001
Other	266,034
	37,512,644
Increase in Working Capital	$20,976,167

End of Year Working Capital

GENERAL CIGAR CO., INC.

Statement of Consolidated Source and Application of Funds

(dollars in thousands)

Source of funds	
Income for the year before extraordinary gain	$4,623
Add items which did not require current use of funds	
Depreciation and amortization	2,775
Provision for non-current deferred income taxes	520
Minority interest in net income of subsidiaries	87
Funds provided by operations	8,005
Extraordinary gain on sale of subsidiary, net of income taxes	829
Disposals of property and equipment	951
Other, net	90
	9,875
Application of funds	
Additions to property and equipment	3,852
Decrease in long-term debt	5,075
Decrease in minority interest	3,416
Increase in excess of investment in consolidated subsidiaries over equity in net assets at dates of acquisition	6,675
Dividends	1,842
Investment in and advances to wholly owned real estate development subsidiary	788
	21,648
Decrease in Working Capital	(11,773)
Working Capital	
Beginning of year	22,948
End of year	$11,175

Cash and Cash Equivalents

ARMCO STEEL CORPORATION

Source and Use of Funds

	(Dollars in thousands)
Source of Funds	
Operations	
Net income for the year	$56,153
Depreciation	66,033
Lease right amortization	13,981
Deferred income taxes	7,955
Equity in net income of unconsolidated subsidiaries	(3,929)
Total	140,193
Proceeds from debentures and long-term notes payable	233,848
Increase in current notes payable	25,888
Increase in accounts payable and accruals	5,088
Increase in other liabilities	3,921
Decrease in investments	1,318
Other—net	4,443
Total	414,699

Use of Funds	
Capital expenditures	182,899
Payments on long-term debt	149,597
Cash dividends	54,889
Increase in inventories	25,379
Increase in accounts and notes receivable	20,154
Payments on long-term lease obligations	5,900
Total	438,818
Decrease in Cash and Marketable Securities for Year	24,119
Cash and Marketable Securities	
Beginning of year	53,365
End of year	$29,246

USM CORPORATION

Consolidated Statements of Source and Use of Funds

Source:	
Net income	$18,597,000
Depreciation and amortization (Note C):	
Leased machinery	10,760,000
Property, plant and equipment	9,718,000
Intangible assets	393,000
Increase in deferred income taxes (Note F):	
Non-current	3,739,000
Current	(2,440,000)
Funds provided from operations	40,767,000
Fixed assets sold or retired, less accumulated depreciation:	
Leased machinery	3,688,000
Property, plant and equipment	996,000
Increase in current liabilities	31,051,000
Issue of long-term debt (Note D)	33,711,000
Increase in notes and mortgages (Note D)	7,224,000
Stock issued for options and acquisitions (Note K)	2,517,000
All other sources	3,749,000
Total	$123,703,000
Use:	
Property, plant and equipment	$18,980,000
Leased machinery:	
Machines shipped	13,370,000
On hand and in process	4,033,000
Increase in accounts receivable	12,077,000
Increase in inventories	17,209,000
Increase in intangibles (Note A)	23,654,000
Increase in other investments (Note A)	9,064,000
Decrease in minority interest (Note A)	15,688,000
Dividends paid	9,164,000
Purchase of 5¾% debentures (Note D)	1,250,000
Purchase of treasury stock	1,038,000
All other uses	4,425,000
Total	$129,952,000
Increase (Decrease) in cash and short-term investments	$(6,249,000)

TABLE 5-5: FUNDS PROVIDED BY OPERATIONS—CONTENT AND PRESENTATION

(Number of Companies with the Enumerated Items)

Items in the Statement Related to Operations	Subtotaled	Not subtotaled	Total Companies
Net income or loss	383	190	573
Depreciation and/or amortization and/or depletion	376	189	565
Deferred taxes and/or deferred investment credit	261	80	341
Additional items to above and/or other presentations	197	34	231

WORKING CAPITAL OR CASH PROVIDED FROM OR USED IN OPERATIONS

Opinion No. 3, which applies to the annual reports included in this survey, expresses a preference for disclosing the amount of working capital or cash provided from or used in operations. *Opinion No. 19,* which effective for fiscal periods ending after September 30, 1971 supersedes *Opinion No. 3,* states:

> 10. The ability of an enterprise to provide working capital or cash from operations is an important factor in considering its financing and investing activities. Accordingly, the Statement should prominently disclose working capital or cash provided from or used in operations for the period, and the Board believes that the disclosure is most informative if the effects of extraordinary items (see APB Opinion No. 9, *Reporting the Results of Operations,* paragraphs 21 and 22) are reported separately from the effects of normal items. The Statement for the period should begin with income or loss before extraordinary items, if any, and add back (or deduct) items recognized in determining that income or loss which did not use (or provide) working capital or cash during the period. Items added and deducted in accordance with this procedure are not sources or uses of working capital or cash, and the related captions should make this clear, e.g., "Add—Expenses not requiring outlay of working capital in the current period." An acceptable alternative procedure, which gives the same result, is to begin with total revenue that provided working capital or cash during the period and deduct operating costs and expenses that required the outlay of working capital or cash during the period. In either case the resulting amount of working capital or cash should be appropriately described, e.g., "Working capital provided from [used in] operations for the period, exclusive of extraordinary items." This total should be immediately followed by working capital or cash provided or used by income or loss from extraordinary items, if any; extraordinary income or loss should be similarly adjusted for items recognized that did not provide or use working capital or cash during the period.

Table 5-5 shows the extent to which information for the calculation of working capital or cash provided from or used in operations is presented by those survey companies with statements of changes in financial position.

Five hundred sixty-five companies added noncash charges concerned with depreciation and/or amortization and/or depletion as a separate figure, 341 companies included deferred taxes and/or investment credit, and 231 companies reflected additional noncash charges or credits. In view of the above stated position of *Opinion No. 19,* a trend may be expected to more specific disclosure of the total working capital or cash provided from or used in operations.

Calculation Includes Net Income

Acme Markets, Inc.

Statement of Consolidated Source and Disposition of Funds

Source:	
Net earnings	$12,530,073
Charges against net earnings not involving the expenditure of funds:	
Depreciation and amortization	16,749,687
Deferred income taxes	9,000
Other	97,964
Total funds provided from operations	29,386,724
Long-term borrowing	403,182
Proceeds from sale and leaseback of addition to distribution center	1,761,301
Net book value of investment real estate, etc., sold	1,154,923
Proceeds from sales of common stock pursuant to exercise of options	10,531
Miscellaneous, net	301,903
Total source of funds	33,018,564
Disposition:	
Expended for plant and equipment	32,021,936
Long-term debt falling due within one year	2,053,248
Cash dividends	6,142,483
Sundry investments	986,887
Total disposition of funds	41,204,554
Decrease in working capital	8,185,990
Working capital at beginning of year	67,337,542
Working capital at end of year	$59,151,552

ATLAS CHEMICAL INDUSTRIES, INC.

Statement of Consolidated Source and Application of Funds

	(Thousands of dollars)
Source of Funds	
Net earnings	$6,299
Depreciation and amortization	6,016
Deferred income taxes	307
Undistributed earnings of 50%-owned companies (excess of dividends in 1969)	(448)
Additions from operations	12,174
Decrease in investment in long-term marketable securities	2,500
Net book value of fixed assets retired	250
Proceeds from employee stock options	3
Decrease in working capital	7,258
	$22,185
Application of Funds	
Additions to land, buildings and equipment	$11,372
Dividends paid	4,091
Decrease in long-term debt	5,742
Increase in investment in 50%-owned companies	605
Purchase of treasury stock (14,000 shares)	266
Miscellaneous	109
	$22,185
Changes in Working Capital	
Increase (Decrease) in current assets	($796)
Marketable Securities	1,249
Accounts and Notes Receivable	1,819
Inventories	114
Prepaid Expenses and Other Current Assets	388
	2,774
Increase (Decrease) in current liabilities	
Notes Payable	8,477
Accounts Payable	928
Accrued Liabilities	248
United States and Foreign Income Taxes	(165)
Current Instalments of Long-Term Debt	544
	10,032
Increase (Decrease) in Working Capital	($7,258)

BORG-WARNER CORPORATION

Statement of Source and Use of Funds

	(Thousands of dollars)
Source of Funds	
Operations:	
Net earnings	$31,811
Charges (credits) to net earnings not requiring funds:	
Depreciation	33,007
Warranties and other provisions	12,540
Provision for deferred taxes	(3,173)
Equity in net earnings of unconsolidated companies	(5,308
Other, including gain on sale of plant	(269)
Total from operations	68,608
Sale of property, plant and equipment	12,370
Net decrease in investments and advances	9,121
Proceeds from long-term debt	8,511
Sale of treasury common stock	2,870
Other	6,935
Total source of funds	108,415
Use of Funds	
Capital expenditures	$69,706
Dividends declared	18,528
Purchase of treasury common stock	6,557
Reductions of long-term debt	5,556
Other	9,537
Total use of funds	109,884
Increase (decrease) in working capital	$(1,469)
Current assets less current liabilities, January 1	313,045
Current assets less current liabilities, December 31	$311,576

GENERAL REFRACTORIES COMPANY

Consolidated Statement of Source and Application of Funds

Funds Provided By:	
From operations:	
Net income for the year	$4,747,346
Add items not involving funds:	
Depreciation and depletion	8,711,678
Deferred income taxes	613,000
Equity in undistributed net income of 50% owned foreign companies	471,011
Provision for interest on noncurrent federal income taxes	90,000
Other, principally provision for noncurrent liabilities	689,797
	15,322,832
Proceeds from disposal of property, plant and equipment, net of gains or losses included in net income	802,219
New Long-term debt	687,657
Decrease of long-term investments	904,425
Total funds provided	17,717,133
Funds Applied to:	
Acquisition of property, plant and equipment	9,156,346
Net noncurrent assets of acquired companies	1,422,370
Cash dividends on preferred shares	382,085
Long-term investments, including advances	941,111
Reduction of long-term debt	3,355,690
Other assets and deferred charges	307,843
Total funds applied	15,565,445
Increase in working capital	$2,151,688

PHILLIPS PETROLEUM COMPANY

Consolidated Statements of Source and Application of Funds

	(in millions of dollars)
Source:	
Income before extraordinary items	$117.1
Depreciation, depletion, amortization, and retirements	198.4
Deferred income taxes	(2.9)
Other (including minority interests)	3.1
Funds from operations	315.7
Long-term debt issued	10.0
Property sales and retirements (including extraordinary items)	31.1
Sales of investments (including extraordinary items)	24.0
Capital stock issued	.5
Other	2.8
	$384.1
Application:	
Capital expenditures	$239.4
Investments and long-term receivables	15.5
Reduction in long-term debt	109.5
Cash dividends	96.3
Increase (decrease) in working capital	(89.9)
Other	13.3
	$384.1

OWENS-ILLINOIS, INC.

Consolidated Source and Application of Working Capital

(1966-1969 columns omitted)

	(thousands of dollars)
Working capital provided by:	
Operations:	
Earnings before extraordinary items	$65,552
Charges not requiring current outlay of working capital:	
Depreciation and depletion	57,238
Retirements of property, plant and equipment	3,352
Increase in furnace rebuilding reserve, deferred taxes, etc.	15,529
Funds from operations before extraordinary items	141,671
Extraordinary items affecting working capital:	
Proceeds from sale of stock, less applicable federal income tax	9,801
Provision for loss in Bahamas	(3,991)
Total	147,481
Long-term borrowings	12,287
Proceeds from exercise of stock options	1,017
Other	250
	161,035
Working capital applied:	
Dividends	25,274
Additions to property, plant and equipment	96,597
Additions to foreign investments	8,463
Increase in other assets	6,113
Purchase of common treasury shares	33,700
Payment of long-term debt	16,289
Other	624
	187,060
Increase (decrease) in working capital	$(26,025)
Components of increase (decrease) in working capital:	
Cash and short-term securities	$ 6,103
Receivables	25,827
Inventories	11,626
Short-term loans and long-term maturities	(75,384)
Accounts payable, accrued liabilities, etc.	(8,237)
U. S. and foreign income taxes	14,040
	(26,025)
Working capital at beginning of year	190,622
Working capital at end of year	$164,597

THE PILLSBURY COMPANY

Consolidated Statement of Changes in Working Capital

Sources of Working Capital:	
Funds derived from operations:	
Net earnings	$16,996,878
Adjust for items which did not affect working capital:	
Depreciation	14,676,634
Other, net	(915,212)
	30,758,300
Increase in long-term debt:	
Burger King restaurant properties	25,084,425
Other	3,681,124
Proceeds from disposal of property, plant and equipment	4,529,716
Miscellaneous	1,093,697
Total	65,147,262
Uses of Working Capital:	
Additions to property, plant and equipment	
Burger King restaurant properties	21,252,382
Other	30,969,061
Investment in and advances to affiliated companies	3,574,667
Cash dividends declared by the Pillsbury Company	6,958,491
Current maturities and retirements of long-term debt	6,640,113
Miscellaneous	3,212,916
Total	72,607,630
Increase (Decrease) in Working Capital	($ 7,460,368)

STONE CONTAINER CORPORATION

Consolidated Source and Application of Funds

Funds Provided:	
Net income	$ 2,413,729
Charges (credit) to income not requiring funds:	
Depreciation	3,280,717
Deferred income taxes	545,000
Equity in net income of South Carolina Industries, Inc.	(777,700)
Total from operations	$ 5,461,746
Proceeds from long-term borrowing	1,552,781
Dividends from South Carolina Industries, Inc.	1,300,000
Net book value of property, plant and equipment sold	429,697
Total funds provided	$ 8,744,224
Funds Applied:	
Additions and improvements to property, plant and equipment	$ 5,369,193
Reduction of long-term debt	3,140,172
Cash dividends	1,209,634
Other	417,278
Total funds applied	$10,136,277
(Decrease) Increase in Working Capital	$(1,392,053)
Working Capital at Beginning of Year	15,871,898
Working Capital at End of Year	$14,479,845

XEROX CORPORATION

Consolidated Statement of Source and Application of Funds

	(Dollars in thousands)
Funds Received From:	
Operations	
Net income	$187,691
Charges not requiring funds	
Depreciation of rental equipment	200,189
Depreciation of buildings and equipment	36,149
Amortization of patents, licenses and other intangibles	7,799
Amortization of deferred research and development	13,607
Deferred income taxes	(2,048)
United Kingdom corporation tax	26,004
Outside shareholders' interests in income	33,447
Other	803
Total funds from operations	503,641
New long-term debt	260,425
Common stock issued under employees' stock option plans and capital stock issued by pooled company at exercise of warrants	4,223
Disposals of fixed assets	10,943
Total funds received	779,232
Funds Applied To:	
Additions to rental equipment and related inventories	312,580
Additions to land, buildings and equipment	88,869
Dividends declared – Xerox Corporation shareholders	50,935
Dividends declared – outside shareholders	15,841
Payments made or due within one year on long-term debt	164,547
United Kingdom corporation tax currently payable	18,127
Deferred research and development	13,867
Other	4,375
Total funds applied	669,141
Increase in Working Capital	$110,091

Calculation Includes Net Loss

DAN RIVER INC.

Consolidated Statement of Source and Application of Funds

	(amounts in thousands)
Funds Provided:	
From operations:	
Net earnings (loss)	$ (1,039)
Adjustments for items not involving funds:	
Depreciation and amortization	11,331
Deferred income taxes	320
Earnings of subsidiary company, not consolidated, added to investment	(1,110)
Other adjustments—net	(83)
Total funds from operations	9,419
From issuance of long-term debt (note 4c)	6,000
From other sources—net	442
Total funds provided	15,861
Funds used:	
Additions to property, plant and equipment:	8,330
Long -term debt reductions	6,936
Cash dividends	882
Total funds used	16,148
Decrease in working capital	$ 287
Changes in working capital:	
Current assets—increase (decrease):	
Cash	$ 958
Net receivables	7,896
Refundable income taxes	(1,380)
Inventories	(2,964)
Prepaid expenses	(68)
Net increase	4,442
Current liabilities—increase (decrease):	
Notes payable	3,650
Long-term debt due currently	(355)
Accounts payable	649
Accrued expenses	646
Dividends payable	80
Accrued income taxes	59
Net increase	4,729
Decrease in working capital	$ 287

Note 4 (in part): Long-term Debt— (c) As of August 3, 1970, the Corporation issued promissory notes (6⅜% notes, $1,000,000 and 8% notes, $5,000,000) for the remaining amounts available under the two loan agreements executed as of July 31, 1969.

LOFT CANDY CORPORATION

Statement of Sources and Disposition of Working Capital

(On a going concern basis)

Working Capital was used for:	
Operations:	
Net loss	$3,671,405
Less charges not requiring expenditure of funds (net):	
Depreciation and amortization	(407,178)
Gain on sale of securities	
Gain or (loss) on sale or abandonment of equipment	(95,268)
Balance	$3,168,959
Acquisition of property, plant and equipment	508,622
Decrease in non-current portion of mortgage payable and amounts due for purchase of equipment	38,056
Total	$3,715,637
Working capital was derived from:	
Proceeds from sale of leaseholds, equipment and improvements	$ 106,695
Proceeds from sale of securities	
Proceeds from sale of capital stock (Note G)	975
Decrease in other assets	109,689
Total	$ 217,359
Net (decrease) in working capital	$(3,498,278)
Working capital—beginning of year	12,939
Working capital or (deficiency)—End of Year	$(3,485,339)

PHOENIX STEEL CORPORATION

Statements of Source and Application of Funds

Application of Funds:	
Funds applied to operations	
Net loss	$10,263,773
Less non-cash charges	
Depreciation	(4,760,001)
Amortization	(520,393)
	4,983,379
Gross additions to plant and equipment	1,085,156
Decrease in long-term debt	1,965,436
Funds to escrowed accounts	49,205
Miscellaneous other applications	167,220
	8,250,396
Source of funds:	
Issurance of stock to Gulf & Western Industrial Products Company (Note 9)	400,000
Increase in long-term debt	6,826,307
Miscellaneous other sources	586,752
	7,813,059
Increase (decrease) in working capital	(437,337)
Working capital at beginning of year	15,846,844
Working capital at end of year	$15,409,507

UNITED FOODS, INC.

Consolidated Statement of Changes in Working Capital

Source of Funds:	
Operations:	
Net loss	$(1,429,129)
Charges (credits) to loss which did not affect working capital:	
Depreciation	1,010,574
Losses anticipated and incurred on disposal of properties	344,895
Losses incurred as guarantor of former subsidiary liabilities	138,054
Amortization of debt security discount and goodwill	93,309
Deferred compensation	43,125
Other items—net	(363)
Funds Provided by Operations	200,465
Proceeds from sale of property, plant and equipment	42,932
Issuance of common stock	4,707,943
Decrease in other assets—net	45,248
	4,996,588
Disposition of Funds:	
Expenditures for property, plant and equipment	475,252
Decrease in long-term debt	807,657
	1,282,909
Increase in Working Capital	$ 3,713,679

DIVIDENDS

Opinion No. 19 states that the statement of changes in financial position should clearly disclose "dividends in cash or in kind or other distributions to shareholders (except stock dividends and stock split-ups as defined in *ARB No. 43, Chapter 7B—Stock Dividends and stock split-ups*)."

TABLE 5-6: DIVIDENDS IN THE STATEMENT OF CHANGES IN FINANCIAL POSITION

	(Number of Companies)			
Presentations*	1970	1969	1968	1967
A One amount for dividends declared	493	484	470	472
B More than one amount for dividends declared	32	29	37	28
No dividends caption in statement, dividends declared disclosed elsewhere	2	2	1	1
No dividends declared	46	33	27	23
Total	573	548	535	524

*Refer to Company Appendix Section—A: 252, 328, 428, 443; B: 158, 266, 486, 584.

Dividends were disclosed in the statement of changes in financial position by all but two of the companies which declared dividends. Table 5-6 indicates that about 6% of the companies reporting dividends presented the information in two or more amounts within this statement.

Examples of the presentation of dividends in the statements of changes in financial position of the 1970 reports can be found on previous pages and in the illustrations which follow.

One Caption for Dividends

THE ANSUL COMPANY

Consolidated Statement of Source and Use of Funds

Source of Funds:	
Funds provided from operations:	
Net earnings	$1,306,191
Depreciation	1,100,061
Deferred income taxes	95,000
Equity in earnings of affiliate and unconsolidated subsidiaries	(180,961)
	2,320,291
Long-term borrowing	4,024,158
Sale of properties	65,509
Total Source of Funds	6,409,958
Use of Funds:	
Property additions	931,306
Cash dividends, including cash in lieu of fractional shares of stock dividend	404,569
Investments in and advances to affiliates and subsidiaries not consolidated	176,368
Current maturities of long-term debt	925,433
Prepaid income taxes charged to deferred income taxes	165,394
Other	(16,454)
Total use of funds	2,586,616
Increase in working capital	$3,823,342

FAIRCHILD HILLER CORPORATION

Consolidated Statement of Source and Application of Funds

Working Capital at Beginning of Year	$51,777,671
Source of Funds:	
Net earnings	$ 6,442,104
Depreciation and amortization	5,313,948
Decrease in deferred charges	56,697
Total from Operations	$11,812,749
Disposal of property, plant and equipment	123,757
	$11,936,506
Application of Funds:	
Expenditures for property, plant and equipment	$ 3,785,509
Cash dividends paid	1,363,576
Payments on mortgage note	777,389
Retirement of subordinated debentures	1,855,000
Increase in other assets	1,054,570
Purchase of treasury stock	118,372
	$ 8,954,416
Increase in working capital	$ 2,982,090
Working capital at end of year	$54,759,761

More Than One Caption for Dividends

BIRD & SON, INC.

Consolidated Statement of Source and Application of Funds

Source of Funds:	
Operations:	
Net earnings for the year	$1,848,000
Provision for depreciation	2,550,000
Provision for deferred income taxes	(34,000)
Provision for minority interest in earnings of Bird Machine Company	154,000
	4,518,000
Proceeds from long-term notes receivable	322,000
Disposal of fixed assets	62,000
Proceeds from long-term liabilities	1,500,000
Other	67,000
	6,469,000
Application of Funds:	
Additions to plant assets	1,562,000
Reduction of long-term liabilities	1,675,000
Dividends declared on preferred and common stock	615,000
Dividends declared payable to minority interest in Bird Machine Company	61,000
Purchase of treasury stock	18,000
	3,931,000
Increase in Working Capital	$2,538,000

HOWMET CORPORATION

Consolidated Statement of Source and Disposition of Working Capital

Source of working capital:	
Operations	
Net income	$13,670,000
Charges against income not involving working capital:	
Depreciation (generally straight line)	9,312,000
Deferred income taxes	8,857,000
	31,839,000
Long-term borrowings	48,300,000
	80,139,000
Disposition of working capital:	
Additions to Eastalco plant	32,356,000
Other additions to property, plant and equipment	7,693,000
Start-up costs at Eastalco	8,086,000
Reduction in long-term debt	22,924,000
Howmedica stock distributed to shareholders	13,122,000
Cash dividends declared on Howmet common stock ($.70 per share)	6,308,000
Pechiney Aluminum dividends equal to dividends on 1,900,000 Howmet shares	665,000
Other	608,000
	91,762,000
Increase (decrease) in working capital	$(11,623,000)

CONTINENTAL OIL COMPANY

Statement of Consolidated Source and Application of Funds

Source:	
Income before extraordinary item	$160,465,000
Charges to income not requiring funds:	
Depreciation, depletion and amortization	158,506,000
Dry hole costs	20,638,000
Deferred income taxes	9,300,000
Other (including minority interest in income)	3,891,000
Funds derived from operations	352,800,000
Sales of fixed assets	46,300,000
Sales of investments (including extraordinary item)	5,114,000
Addition to long-term debt	88,374,000
Other sources (net)	3,615,000
Total funds available	496,203,000
Application:	
Capital expenditures	366,249,000
Investments and advances	11,519,000
Reduction of long-term debt	69,738,000
Dividends paid:	
Common stockholders	78,141,000
Preferred stockholders and minority interests	7,349,000
Total funds applied	532,996,000
Increase (decrease) in working capital*	$(36,793,000)
*Includes the following changes:	
Cash and marketable securities	$(92,147,000)
Accounts and notes receivable	85,570,000
Inventories	36,830,000
Notes and accounts payable	(17,779,000)
Accrued taxes and other accrued liabilities	(37,275,000)
Long-term debt due within one year	(11,992,000)
	$(36,793,000)

OTHER SOURCES AND APPLICATIONS

Opinion No. 19 states:

14. In addition to working capital or cash provided from operations (see paragraph 10) and changes in elements of working capital (see paragraph 12), the Statement should clearly disclose:

a. Outlays for purchase of long-term assets (identifying separately such items as investments, property, and intangibles).

b. Proceeds from sale (or working capital or cash provided by sale) of long-term assets (identifying separately such items as investments, property, and intangibles) not in the normal course of business, less related expenses involving the current use of working capital or cash.

c. Conversion of long-term debt or preferred stock to common stock.

d. Issuance, assumption, redemption, and repayment of long-term debt.

e. Issuance, redemption, or purchase of capital stock for cash or for assets other than cash.

f. Dividends in cash or in kind or other distributions to shareholders (except stock dividends and stock split-ups as defined in ARB No. 43, Chapter 7B—Stock Dividends and Stock Split-Ups).

Opinion No. 3, which applied to the annual reports included in the survey, did not require disclosure of some of the above items. Tables 5-7 and 5-8 summarize the frequency with which transactions involving noncurrent assets and noncurrent liabilities are presented in the statement of changes in financial position.

TABLE 5-7 CONTENT AND PRESENTATION OF CERTAIN SPECIFIED ITEMS WITHIN STATEMENT OF CHANGES IN FINANCIAL POSITION

	Plant, Property, etc.	Investments in Subsidiaries or Others	Other Specific Assets	Long-term Debt	Capital Stock or Treasury Stock	"Miscellaneous" "Other," etc.
Presentations						
Applications and sources shown gross	239	23	78	226	135	29
Only source shown— net	12	4	N/C	30	15	98
Only source shown— No indication of net	7	25	237	125	274	66
Only application shown— net	210	11	N/C	16	19	131
Only application shown— no indication of net	174	140	297	210	237	159
Total	642*	203*	612*	607*	680*	483*
Number of Companies						
Presenting above captions	569	190	364	535	423	423
Not presenting above captions	4	383	209	38	150	150
Total	573	573	573	573	573	573

N/C— Not compiled.
*Some companies presented such items more than once.

TABLE 5-8: OTHER ITEMS PRESENTED IN STATEMENT OF CHANGES IN FINANCIAL POSITION

	Number of Presentations							
	Sources				Applications			
Items in the Statement	1970	1969	1968	1967	1970	1969	1968	1967
Long-term receivables	30	16	20	18	36	30	32	20
Reserves	10	13	21	13	14	14	11	10
Noncurrent liabilities	59	40	34	43	28	26	30	33
Reserves and "other" noncurrent liabilities	20	19	16	11	15	7	11	6
Minority interests	29	33	32	25	23	21	2	14
Assets (or assets less long-term liabilities) from corporate acquisition or divestment	37	11	31	N/C	52	19	40	17
Intangibles	5	7	3	N/C	55	53	41	30
Deferred charges	14	9	9	N/C	34	25	36	29
Other items	200	160	91	48	248	214	156	27

N/C— Not compiled.

Property, Plant and Equipment

WALT DISNEY PRODUCTIONS

Sources and Uses of Consolidated Working Capital

Working Capital Came From:	
Operations	
Net income	$21,759,000
Depreciation and patents amortization	7,880,000
Deferred taxes on income	1,600,000
Total from operations	31,239,000
Proceeds from exercise of stock options	2,590,000
	33,829,000
Working Capital was used for:	
Additions to	
Construction in progress, Florida Project	62,670,000
Entertainment attractions and facilities	1,937,000
Studio buildings, equipment and other properties	779,000
Land	1,080,000
	66,466,000
Payments on long term borrowings	208,000
Cash dividends	1,664,000
Other	1,614,000
	69,952,000
Increase (decrease) in working capital	$(36,123,000)
Working capital at end of year	$56,573,000

LYKES-YOUNGSTOWN CORPORATION

Statement of Source and Use of Funds

Source of Funds:	
Net income for the year	$ 13,204,000
Provision for depreciation and depletion	44,558,000
Increase in cumulative tax effects—timing differences	2,418,000
Funds derived from operations	60,180,000
Additions to long-term debt	
7½% subordinated debentures	25,392,000
Notes payable	84,000,000
First Mortgage Bonds of Youngstown	38,250,000
Merchant Marine Bonds*	50,000,000
Other	2,453,000
Exercise of stock options	33,000
	260,308,000
Use of Funds:	
Property additions	
Manufacturing	39,554,000
Vessels	16,678,000
Other	4,121,000
Dividends	14,311,000
Retirement of long-term debt	18,154,000
Investment in United Fidelity Life Insurance Company	23,154,000
Investment and advances in other companies	8,328,000
Increase in construction and reserve funds*	39,245,000
Other changes—net	6,548,000
	170,093,000
Increase in working capital	$90,215,000

TENNECO INC.

Consolidated Source and Use of Funds

Source of funds:	
Funds provided from operations	
Net income	$157,808,792
Charges to income not requiring funds:	
Depreciation, depletion and amortization	185,819,804
Deferred federal income taxes	5,756,548
Other	8,179,706
Undistributed earnings of majority-owned unconsolidated subsidiaries and 50% owned companies	(6,525,932)
Total funds provided from operations	$351,038,918
Units of common stock and common stock warrants sold	124,800,000
Common stock sold	60,709,792
Debenture bonds sold	75,000,000
Other long-term debt	52,741,517
Sale of production payments	152,000,000
Disposal of properties	27,545,791
Other (net)	5,407,078
	$849,243,096
Use of Funds:	
Capital expenditures for plant, property and equipment	
Natural gas pipelines	$ 52,565,369
Oil production, refining, marketing	176,925,340
Machinery, equipment and shipbuilding	24,076,345
Packaging	12,921,238
Chemicals	10,176,741
Land use and other	17,864,311
	$294,529,344
Net assets purchased in acquisitions	51,636,852
Retirement of interest bearing long-term debt	125,476,891
Retirement of noninterest bearing purchase obligations	8,291,060
Retirement of production payments	38,273,411
Dividends on common, preferred and preference stock	112,269,813
Preferred stock reacquired	6,284,300
Preference stock reacquired, net of preference stock exchanged for assets	(26,466,343)
Investments (net)	9,129,315
Increase in working capital exclusive of current maturities and acquired companies' working capital at date of acquisition	229,818,453
	$849,243,096

( ) Denotes deduction.

Investments

THE B. F. GOODRICH COMPANY

Statement of Source and Disposition of Funds

Source of Funds:	
From operations	
Net income	$ 15,869,000
Depreciation and amortization	54,962,000
Deferred income taxes and other	11,262,000
Total from Operations	82,093,000
Long-term debt	112,350,000
Property sold	12,168,000
Investments	3,561,000
Treasury shares reissued	817,000
Total source of funds	210,989,000
Disposition of Funds	
Additions to property	79,169,000
Long-term debt	10,761,000
Cash dividends paid	22,369,000
Additions to investments	18,307,000
Treasury shares purchased	1,799,000
Other items—net	925,000
Total disposition of funds	133,330,000
Increase in working capital	$ 77,659,000
Changes in working capital:	
Increase	
Cash and short-term securities	$ 12,289,000
Accounts and notes receivable	7,153,000
Inventories	7,553,000
Prepaid expenses	(904,000)
Notes payable and bank loans	40,841,000
Accounts payable and accrued expenses	8,437,000
Federal and foreign income taxes	928,000
Long-term debt payable within one year	1,362,000
Increase in working capital	$ 77,659,000

CITIES SERVICE COMPANY

Source and Application of Funds

Source	
Net income	$118,600,000
Depreciation and depletion	106,700,000
Dry holes and lease cancellations	26,900,000
Deferred Federal income taxes	12,600,000
Total funds from operations	264,800,000
Long-term debt issued	59,400,000
Property sales and retirements	7,300,000
Sales and repayments of investments and advances	4,700,000
Other transactions—net	3,600,000
Utilization of working capital (Note 6)	85,600,000
Total	$425,400,000
Application	
Capital expenditures:	
Plant additions	$281,400,000
Investments and advances	3,700,000
Sub-total	285,100,000
Reduction of long-term debt	72,000,000
Cash dividends paid	60,800,000
Net increase in treasury stock	3,000,000
Redemption of Preferred and Preference Stocks	2,400,000
Reduction in carved-out production payments	2,100,000
Total	$425,400,000

Note 6 (in part):— The details of the decreases (increases) in working capital shown in the Source and Application of Funds are as follows:

Cash and short-term cash investments	$48,700,000
Accounts and notes receivable	(55,600,000)
Inventories	11,100,000
Prepaid expenses	4,200,000
Short-term notes payable	72,600,000
Current maturities of long-term debt	22,500,000
Accounts payable and accrued liabilities	(1,500,000)
Federal and foreign income taxes	(16,400,000)
Utilization of working capital	$85,600,000

Acquisitions

ALLIED MILLS, INC.

Consolidated Statements of Source and Application of Funds

Source of Funds:		
Net earnings		$ 8,200,518
Depreciation, principally straight-line method		4,430,545
Amortization of excess of cost over equity in subsidiaries at dates of acquisition.		154,287
Deferred federal income taxes		118,000
Reserve for self insurance and deferred Executive Incentive Plan		145,862
Funds provided by operations		13,049,212
Long-term lease obligation		3,500,000
Decrease in noncurrent receivables		231,839
Employee stock options exercised		215,050
Decrease in other assets and investments		201,927
		$17,198,028
Application of Funds:		
Net addition to property, plant and equipment		$ 5,793,576
Construction funds held by trustee		3,212,960
Cash dividends paid		1,894,004
Treasury stock acquired		1,608,118
Reduction of long-term debt		1,245,359
Companies and division purchased		1,206,791
Less working capital acquired		938,548
Balance		2,145,339
Consisting of:		
Other assets and investments	$1,464,385	
Property, plant and equipment	1,180,396	
Long-term debt	(490,676)	
Deferred federal income taxes	(8,766)	
	$2,145,339	
Cash in lieu of fractional shares		
Stock dividend		15,140
Increase in working capital		1,283,532
		$17,198,028

BAKER OIL TOOLS, INC.
Consolidated Statement of Funds

Source of Funds	
From Operations:	
Net income	$6,377,000
Depreciation and Amortization	2,479,000
Total from Operations	$ 8,856,000
Increase in Long-term Debt	12,991,000
Decrease in Non-Current Receivables	1,335,000
Proceeds Received from exercise of employee stock options	317,000
Total	$23,499,000
Application of Funds	
Net increase in working capital	$ 9,554,000
Assets purchased in connection with the acquisition of the Galigher Company: ...	
Property	2,058,000
Patents	2,401,000
Purchase of Property	3,820,000
Cash dividends	2,516,000
Additional investment in subsidiaries and affiliates	1,906,000
Purchase of 32,100 shares of the company's stock	571,000
Other	673,000
Total	$23,499,000

CYCLOPS CORPORATION
Consolidated Statement of Source and Application of Funds

(in thousands of dollars)	1970*
Source of funds:	
Net income	$ 1,589
Depreciation	9,201
Deferred income taxes	1,328
Amortization of deferred credit from acquisition	(397)
Funds from operations	11,721
Proceeds from long-term borrowing	5,000
Assumption of long-term debt of Detroit Steel	28,000
Issuance of warrant to purchase common stock	650
Issuance of common and preferred stock under stock options, etc.	50
Deferred credit from acquisition of Detroit Steel	44,694
Other—net	390
Total funds provided	90,505
Application of funds:	
Expenditures for property, plant and equipment	12,381
Acquired property, plant and equipment of Detroit Steel	62,529
Cash dividends	4,495
Reduction in long-term debt	8,700
Total funds applied	88,105
Increase in working capital	2,400
Working capital:	
Beginning of year	78,801
End of year	$81,201

*The Company acquired its subsidiary November 12, 1970.

Long-Term Debt

KIMBERLY-CLARK CORPORATION
Consolidated Source and Application of Funds

(thousands of dollars)	
Funds provided by:	
Operations	
Net income	$ 38,315
Depreciation and depletion	40,537
Deferred income taxes	6,836
	85,688
Deduct equity in unremitted net income of companies approximately 50% owned	2,025
	83,663
Long-term debt incurred	27,324
Stock options exercised	113
Property, plant and equipment retired	1,603
Reduction in investments and advances—companies approximately 50% owned	1,574
Other	2,149
	116,426
Funds applied to:	
Additions to property, plant and equipment	88,747
Dividends declared	27,273
Other investments	992
Long-term debt repaid	10,224
	127,236
Increase (reduction) in working capital	$(10,810)

MONSANTO COMPANY
Consolidated Source and Application of Funds

	(In Thousands)
Source of Funds:	
From operations:	
Net income	$ 66,530
Non-cash charges to income:	
Depreciation, depletion, etc.	186,392
	252,922
Outside financing:	
9⅛% sinking fund debentures	138,550
6½%-8½% bank loan	3,005
Foreign subsidiaries	33,500
Net book value of fixed assets retired	15,902
Common and preferred shares issued under options	307
Other— net	(10,293)
	433,893
Application of Funds:	
Dividends on preferred shares	6,363
Dividends on common shares	58,628
Plant additions and replacements	300,811
Retirement of long-term debt	17,448
Increase in working capital[1]	23,422
Increase in cash and securities	27,221
	$433,893

[1]Exclusive of cash and securities and current portion of long-term debt.

Capital Stock

APCO OIL CORPORATION

Statement of Consolidated Source and Application of Funds

Source	
Net earnings	$10,268,159
Adjustments to earnings not requiring funds:	
Depreciation, depletion, and amortization	9,009,137
Retirements	1,189,166
Equity in net loss of unconsolidated subsidiaries	100,654
Deferred federal income taxes	22,800
Other	290,080
Funds derived from operations	20,879,996
Long-term debt issued	2,449,293
Proceeds from sale of common stock	458,107
Conversion of subordinated debt to common stock	311,248
Proceeds from sale of property, plant and equipment	215,213
Total source of funds	24,313,857
Application	
Capital expenditures	21,683,791
Additions to investments and advances	631,412
Reduction of long-term debt	3,814,824
Increase in notes receivable, due after one year	496,986
Other, net	300,307
Total funds applied	26,927,320
Increase (decrease) in working capital	$(2,613,463)

STANDARD PRESSED STEEL CO.

Statement of Consolidated Source and Application of Funds

Funds provided:	
Earnings (loss) before extraordinary item	$(5,850,748)
Add charges against earnings (loss) not requiring funds:	
Depreciation and amortization	5,643,966
Provision for deferred income taxes	122,312
Charge-off of deferred items	1,021,622
Provision for deferred compensation and pensions	429,459
Loss on disposal of current assets of Columbia office furniture division, net of income taxes	(487,350)
Funds derived from operations	879,261
Additional long-term debt	7,051,138
Proceeds from exercise of employee stock options	104,037
Treasury shares issued to acquire business	97,929
Sale and retirement of plant and equipment, net	1,748,088
Decrease in working capital	5,867,460
	$15,747,913
Funds used:	
Additions to plant and equipment	$ 7,177,907
Dividends	1,172,016
Reduction of long-term debt, including amounts which became current	7,051,368
Miscellaneous, net	346,622
	$15,747,913

Changes in working capital:	
Increase (decrease) in current assets:	
Cash	$(1,180,463)
Accounts and notes receivable	(1,698,383)
Recoverable income taxes	6,897,536
Inventories	(7,811,479)
Prepaid expenses	39,226
	($3,753,563)
Increase (decrease) in current liabilities:	
Notes payable to banks and others	($1,888,247)
Current installments of long-term debt	5,878,151
Accounts payable	(2,455,141)
Accrued expenses	185,301
Foreign income taxes	393,833
	$2,113,897
Decrease in working capital	$ 5,867,460

CASH FLOW

Opinion No. 3 took issue with the fact that the concept of cash flow was sometimes emphasized to such an extent as to become misleading.

Opinion No. 19 makes the following comments in this connection:

> 15. The amount of working capital or cash provided from operations is not 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. Terms referring to "cash" should not be used to describe amounts provided from operations unless all noncash items have been appropriately adjusted. The adjusted amount should be described accurately,

TABLE 5-9: REFERENCES TO CASH FLOW

Location of Reference	Number of Companies 1970	1969	1968	1967
President's letter or financial review	59	73	72	67
Operating summaries or statistics	38	51	44	37
Highlights	38	42	43	22
Chart	28	42	40	35
Statement of Changes in Financial Position	7	26	20	11
Separate statement	1	1	2	3
	171*	235**	221***	175****

*Eighteen companies referred to cash flow in two locations; thirteen in three; six, in four.

**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.

in conformity with the nature of the adjustments, e.g., "Cash provided from operations for the period" or "Working capital provided from operations for the period" as appropriate. The Board strongly recommends that isolated statistics of working capital or cash provided from operations, especially per-share amounts, not be presented in annual reports to shareholders. If any per-share data relating to flow of working capital or cash are presented, they should as a minimum include amounts for inflow from operations, inflow from other sources, and total outflow, and each per-share amount should be clearly identified with the corresponding total amount shown in the Statement.

A summary of the references to cash flow made by the companies in the survey is presented in Table 5-9.

TABLE 5-10: ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS

Manner of Presentation	
Analysis included as part of statement of changes in financial position:	42
Analysis presented in a tabulation at bottom of statement of changes in financial position	72
Analysis presented in a tabulation apart from statement of changes in financial position	9
Total number of companies presenting analysis	123

Examples of tabulations analyzing changes in working capital elements are shown below and in previous subheadings of the section.

ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS

Opinion No. 19 states in part:

12. Whether or not working capital flow is presented in the Statement, net changes in each element of working capital (as customarily defined) should be appropriatelv disclosed for at least the current period, either in the Statement or in a related tabulation.

a. If the format shows the flow of cash, changes in other elements of working capital (e.g., in receivables, inventories, and payables) constitute sources and uses of cash and should accordingly be disclosed in appropriate detail in the body of the Statement.

b. If the format shows the flow of working capital and two-year comparative balance sheets are presented, the changes in each element of working capital for the current period (but not for earlier periods) can be computed by the user of the statements. Nevertheless, the Board believes that the objectives of the Statement usually require that the net change in working capital be analyzed in appropriate detail in a tabulation accompanying the Statement, and accordingly this detail should be furnished.

Table 5-10 shows the manner in which 123 companies disclosed details as to changes in working capital elements. Of the 42 companies listed as including an analysis of changes in working capital elements as part of the statement of changes in financial position, 39 presented a statement format accounting for cash or cash equivalents.

Analysis Included as Part of Statement

H. H. ROBERTSON COMPANY

Consolidated Source and Use of Working Capital

Source:	1970	1969
Net income	$ 6,365,264	$ 5,268,440
Non-fund Charges to Income:		
Depreciation and Amortization	4,179,204	3,998,415
Other-Net	435,332	63,240
Total provided by operations	10,979,800	9,330,095
Property retirements	615,532	676,004
Increase in long-term debt	3,582,904	341,439
Increase in reserves and other liabilities	728,260	691,394
Total source of funds	15,906,496	11,038,932
Use:		
Expenditures for property, plant and equipment	5,738,268	5,351,027
Cash dividends	3,032,580	3,030,047
Other—net	1,716,049	225,222
Total use of funds	10,486,897	8,606,296
Increase (decrease) in working capital:		
Cash	(1,099,611)	(5,092,049)
Accounts receivable	11,905,284	10,707,769
Inventories	(1,083,645)	4,114,089
Loans payable and current maturities of long-term debt	2,706,889	(988,447)
Accounts payable and other—net	(7,009,318)	(6,308,726)
Net increase in working capital	5,419,599	2,432,636
Working capital at beginning of period	41,672,367	39,239,731
Working capital at end of period	$47,091,966	$41,672,367

Analysis Presented in a Tabulation at Bottom of Statement

AMP INCORPORATED AND PAMCOR, INC.

Combined Statements of Source and Application of Funds

	1970	1969
Funds were provided from:		
Net income	$24,489,000	$24,280,000
Expenses not requiring current outlays of funds—		
Depreciation	10,361,000	9,452,000
Other	921,000	844,000
	35,771,000	34,576,000
Additions to long-term debt	3,390,000	2,312,000
Miscellaneous sources, net	(215,000)	292,000
	$38,946,000	$37,180,000
And were used to		
Acquire plant and equipment	$23,271,000	$17,562,000
Reduce long-term debt	2,581,000	4,310,000
Pay dividends to shareholders	7,110,000	5,875,000
Increase working capital	5,984,000	9,433,000
	$38,946,000	$37,180,000
Working capital changes—Increases (Decreases):		
Cash and marketable securities	$(5,461,000)	$4,474,000
Receivables	4,068,000	8,386,000
Inventories	5,970,000	12,787,000
Prepaid expenses, etc.	250,000	1,052,000
Current portion of long-term debt and bank loans	454,000	(1,760,000)
Foreign bank obligations	(2,958,000)	(722,000)
Accounts payable and accrued expenses	929,000	(5,382,000)
Accrued taxes on income	2,732,000	(9,402,000)
Increase in working capital	$ 5,984,000	$ 9,433,000

ALLEGHENY LUDLUM INDUSTRIES, INC.

Statement of Consolidated Source and Application of Funds

	1970	1969
Source of funds:		
From operations:		
Net earnings	$14,819,548	$22,350,127
Charges (credit) not involving use of funds:		
Depreciation	15,732,246	13,513,230
Deferred income taxes	3,336,000	5,241,535
Reserve for investments in unconsolidated affiliated companies	(1,400,000)	–
	32,487,794	41,104,892
From borrowings:		
9% Sinking Fund Debentures due March 1, 1995	40,000,000	–
Other long-term debt	1,648,790	23,694,533
	74,136,584	64,799,425
Application of funds:		
Capital expenditures	22,296,110	31,911,039
Dividends	17,430,968	16,914,311
Reduction of long-term debt	43,158,762	2,134,603
Reduction of reserves	402,506	938,344
Increase in excess of cost over equity in net assets of purchased companies	–	1,155,601
Other changes, net	1,305,549	150,969
	84,593,895	53,204,867
Increase (decrease) in working capital	$(10,457,311)	$11,594,558
Changes in working capital:		
Increase (decrease) in current assets:		
Cash and marketable securities	$ 1,233,202	$ 1,069,313
Trade and miscellaneous receivables	2,336,537	14,656,065
Inventories	(385,340)	11,210,908
Prepaid expenses	235,475	5,086,955
	3,419,874	32,023,241
Increase (decrease) in current liabilities:		
Notes payable and current portion of long-term debt	24,088,358	4,247,292
Accounts payable	(8,325,689)	5,873,786
Accrued liabilities and dividends payable	(941,787)	6,765,941
Federal taxes on income	(943,697)	3,541,664
	13,877,185	20,428,683
Increase (decrease) in working capital	$(10,457,311)	$11,594,558

THE KROGER CO.

Consolidated Statement of Sources and Uses of Funds

Sources:	
From current operations	
Net income	$ 39,732,444
Charges to income not requring funds:	
Depreciation and amortization	35,719,830
Provision for employees' benefit fund, net of payments	192,760
Provision for deferred income taxes	1,758,058
Total sources from current operations	$ 77,403,092
Capital stock issued under option plans	611,880
Additions to long-term debt	76,123,406
Sale of capital assets subsequently leased back	16,000,000
Net book value of capital asset disposals	8,325,557
Total sources	$178,463,935
Uses:	
Capital expenditures	$ 89,325,600
Dividends paid	17,192,082
Reductions of long-term debt	8,658,969
Investments in and advances to unconsolidated companies	2,609,692
Notes received related to capital asset disposals	6,129,276
Other changes—net	2,596,977
Total uses	$126,512,596
Net change in working capital	$ 51,951,339
Analysis of Working Capital Changes	
Current asset changes:	
Cash	$ 24,943,106
Inventories	(9,291,724)
Other current assets	19,189,601
Net increase (decrease) in current assets	$ 34,840,983
Current liability changes:	
Notes payable and current portion of long-term debt	$(29,672,031)
Accounts payable	4,489,401
Accrued expenses and taxes	8,072,274
Net increase (decrease) in current liabilities	$(17,110,356)
Net change in working capital	$ 51,951,339

UNION CAMP CORPORATION

Consolidated Statement of Source and Application of Funds

	1970	1969
Source:		
Net income for year	$ 30,777,000	$ 30,383,000
Depreciation and depletion	29,789,000	27,484,000
Deferred federal income tax	2,800,000	3,500,000
Total	63,366,000	61,367,000
Less undistributed earnings of an unconsolidated subsidiary included in other income	187,000	493,000
Cash inflow from operations	63,179,000	60,874,000
Increase in long-term debt	25,523,000	1,794,000
Funds set aside for plant additions	13,587,000	32,475,000
Property retirements and adjustments	828,000	2,317,000
Decrease in investments	1,531,000	312,000
Stock options exercised	274,000	412,000
Total source during year	104,922,000	98,184,000
Application:		
Additions to plant property, timberlands and equipment	57,021,000	68,985,000
Dividends paid	15,038,000	14,989,000
Decrease in long-term debt	9,971,000	13,797,000
Increase in investments	6,815,000	6,945,000
Other (net)	36,000	368,000
Total application during year	88,881,000	105,084,000
Increase (decrease) in working capital	16,041,000	(6,900,000)
Working capital beginning of year	60,215,000	67,115,000
Working capital end of year	$ 76,256,000	$ 60,215,000
Material changes in working capital components— increase (decrease):		
Cash and securities	$ 2,113,000	$(16,473,000)
Accounts receivable	1,048,000	9,296,000
Inventories	13,886,000	5,385,000
Accounts and notes payable	(4,663,000)	(5,787,000)
Accrued liabilities	3,657,000	679,000
Total	$16,041,000	$ (6,900,000)

U. S. INDUSTRIES, INC.

Consolidated Statements of Source and Application of Funds

(in thousands of dollars)

	1970	1969
Source of Funds:		
From operations:		
Net income	$ 65,784	$ 62,123
Non-cash charges and (credits) to income:		
Depreciation and amortization	21,806	16,693
Deferred federal income taxes	8,313	3,170
Undistributed net earnings of unconsolidated subsidiaries	(5,804)	(4,329)
	90,099	77,657
Additional long-term debt, including refundings	76,516	131,313
Market value of capital stock issued for purchased businesses, including contingent share issuances for prior years' acquisitions	5,729	32,191
Other	1,648	779
Total sources	173,992	241,940
Application of Funds:		
Net non-current assets of businesses purchased (A)	591	24,218
Increase in excess of cost over net assets of purchased businesses	7,521	31,382
Additions to property, plant and equipment—net	41,909	59,026
Dividend payments	16,109	9,542
Purchases of common stock for treasury	7,321	8,826
Additional investments in and advances to unconsolidated subsidiaries	3,993	7,717
Reduction in long-term debt, including amounts refunded	84,402	39,661
Capital transactions of pooled businesses prior to acquisition	314	3,068
Vessel construction funds	2,700	–
Increase in other assets—net	6,199	3,901
Total applications	171,059	187,341
Increase in working capital (B)	2,933	54,599
Balance at beginning of year	200,660	146,061
Balance at end of year	$203,593	$200,660

(A) The non-current accounts of purchased businesses at dates of acquisition are summarized as follows:

	1970	1969
Property, plant and equipment—net	$993	$24,483
Other assets	26	7,705
Long-term debt	(428)	(5,581)
Other liabilities	–	(2,389)
	$591	$24,218

(B) A summary of changes in the components of working capital is as follows:

	1970	1969
Trade receivables, less allowances	$15,454	$33,194
Inventories	21,211	40,868
Accounts payable	(13,781)	(13,381)
Federal and foreign income taxes	22,432	(915)
Notes payable	(44,658)	(179)
Other—net	2,275	(4,988)
	$2,933	$54,599

Analysis Presented in a Tabulation Apart from Statement

MARTIN MARIETTA CORPORATION

Statement of Changes in Working Capital

	1970	1969
Current Assets:		
Cash and short-term investments	$ 2,485,924	$ 5,465,470
Notes and accounts receivable	(2,748,550)	37,778,230
Inventories	(5,542,458)	48,672,619
Prepayments	13,845	1,473,809
Total increase (decrease)	(5,791,239)	93,390,128
Current Liabilities:		
Notes payable to banks	9,000,000	(20,000,000)
Accounts payable and accrued liabilities	2,329,445	(20,013,059)
Income taxes	(3,291,985)	762,389
Current maturities of long-term debt	(19,036,591)	(11,278,440)
Total (increase) decrease	(10,999,131)	(50,529,110)
Net working capital increase (decrease)	$16,790,370)	$42,861,018

STANDARD OIL COMPANY (NEW JERSEY)

Notes to Financial Statements

Working Capital— Changes in the components of working capital from the previous years are as follows:

	Millions of Dollars increase (decrease)	
Current assets:	1970	1969
Cash and marketable securities	$263	$ (91)
Notes and accounts receivable	312	219
Inventories	243	(44)
Prepaid taxes and other expenses	76	25
	894	109
Current Liabilities	451	356
Change in working capital	$443	$(247)

UNITED STATES TOBACCO COMPANY

Notes to Financial Statements

Increases (decreases) in the components of working capital were as follows—thousands of dollars:

	1970	1969
Cash	$1,904	$ 295
Marketable securities	222	(85)
Accounts receivable	2,030	1,282
Inventories	(95)	2,310
Prepaid expenses	(229)	185
Increase in current assets	3,832	3,987
Notes payable	1,518	2,782
Accounts payable	874	161
Income taxes	68	230
Current portion of long-term debt	47	(4)
Increase in current liabilities	2,507	3,169
Increase in working capital	$1,325	$ 818

Section 6: Auditors' Report

LOCATION

Table 6–1 summarizes the placement of the Auditors' Report in the 1970 annual reports of the survey companies.

TABLE 6-1: LOCATION OF AUDITORS' REPORT IN RELATION TO FINANCIAL STATEMENTS

	Number of Companies			
Location*	1970	1969	1968	1967
A: Follows all financial statements and notes	428	440	451	450
B: Follows all financial statements, but precedes notes	74	73	54	47
C: Precedes all financial statements and notes	47	48	48	46
D: Intermediate position	51	39	47	57
Total	600	600	600	600

*Refer to Company Appendix Section–A: 27, 265, 610; B: 40, 357, 618: C: 127, 431, 567; D: 7, 116, 206, 484.

TITLE OF THE AUDITORS' REPORT

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.

Accounting Terminology Bulletin No. 1–Review and Resume, issued in 1953 by the Committee on Terminology of the American Institute of Certified Public Accountants, states in part:

> 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 usefulness 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,

TABLE 6-2: TERMS USED IN TITLE OF AUDITORS' REPORT

Auditor Designated as:	1970	1969	1968	1965	1961
Accountant	323	321	319	305	271
Auditor	141	150	151	134	158
Certified public accountant	69	61	59	50	39
Public accountant	12	12	14	21	40
No reference, or other	2	2	3	1	4
Reports with titles	547	546	546	511	512
Independent added	160	161	160	147	110
Report Designated as:					
Report	373	360	364	291	338
Opinion	158	165	159	193	121
Certificate	11	14	15	25	51
Other	5	7	8	2	2
Reports with titles	547	546	546	511	512
Reports without titles	53	54	54	89	88
Total	600	600	600	600	600

1970 Reference to Auditor		1970 References to Report			
		Report	Opinion	Certificate	Other Terms
Accountant	208	161	44	3	–
Independent accountant	115	24	91	–	–
Auditor	136	119	8	6	3
Independent auditor	5	5	–	–	–
Certified public accountant	41	37	3	–	1
Independent certified public accountant	28	19	8	1	–
Independent public accountant	12	8	4	–	–
Auditor not referred to	2	–	–	1	1
Reports with titles	547	373	158	11	5

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. . .

Table 6-2, which summarizes the term combinations used in the titles of auditors' reports, shows that the most frequently used combinations were *Accountants report, Auditors' report,* and *Independent Accountants' opinion.*

TABLE 6-3: ADDRESSEE OF AUDITORS' REPORT

Title of Addressee	1970	1969	1968	1960
The Directors (Board of Directors) and Stockholders (Shareowners)	382	373	352	237
The Directors	106	112	125	224
The Stockholders	88	89	91	104
The Company	21	22	29	32
Other, or no addressee	3	4	3	3
Total	600	600	600	600

ADDRESSEE OF THE AUDITORS' REPORT

Table 6–3 summarizes the addressee mentioned in the auditors' reports of the survey companies.

It is of interest to note the steady decline in the number of reports addressed to the "Board of Directors" as compared with the increasing number 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

A short–form 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 standard format of a short-form report, as illustrated in *Statement on 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.

A modified short-form auditors' report differs from the standard short-form auditors' report in that the opinion and scope are usually combined in a single paragraph with the opinion sentence appearing first.

Table 6–4 summarizes the format of auditors' reports included in the 1970 annual reports of the survey companies. The standard short–form auditors' report was included in the annual reports of 513 companies and the modified short–form auditors' report in 87 annual reports. Of the 513 standard short–form reports, 269 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
Houdaille Industries, Inc.:

We have examined the consolidated balance sheet of Houdaille Industries, Inc. and subsidiary companies as of December 31,1970 and the related statements of consolidated income, consolidated retained earnings, con-

TABLE 6-4: FORMAT OF AUDITORS' REPORT

Format	Number of Companies 1970	1969	1968
Standard Short-form Report			
Standard form (including only slight variations)	244	201	202
Extra middle sentence in scope paragraph	5	13	20
Additional last sentence in scope paragraph referring to:			
Prior year examination	142	146	140
Examination by other accountants	84	81	77
Matter to which exception is taken	12	40	41
Other	20	11	3
Middle paragraph between scope and opinion referring to:			
Examination by other accountants	5	11	9
Matter to which exception is taken	17	9	8
Other	10	8	5
Separate sentence or paragraph following opinions sentence:			
Opinion on source and application of funds	25	61	69
Other	21	11	5
Total presentations and modifications of standard form	*585	*592	*580
Modified Short-form Report			
Two sentences only– "In our opinion. . ." and "Our examination was made. . ."	75	83	76
Sentence between "In our opinion..." and "Our examination was made..."	2	2	7
Sentence or paragraph following "Our examination was made..."	10	16	15
Total presentations and modifications of modified form	87	101	98
Number of Reports Using			
Standard version of short-form report	513	499	502
Modified version of short-form report	87	101	98
Total	600	600	600

*Some audit reports had more than one modification.

solidated 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 statments present fairly the financial position of the companies at December 31,1970 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 on a basis consistent with that of the preceding year.–*Accountants' Opinion.*

To: The Board of Directors and Shareholders
of Raybestos-Manhattan, Inc.

We have examined the consolidated balance sheet of Raybestos–Manhattan, Inc. and subsidiaries as of December 27, 1970, and the related consolidated statements of income, retained earnings and source and application of funds for the fifty–two weeks ended December 27, 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income, retained earnings, and source and application of funds present fairly the consolidated financial position of Raybestos–Manhattan, Inc. and subsidiaries at December 27, 1970 and the results of their operations for the fifty-two weeks then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.– *Auditors' Report.*

TABLE 6-5: MINOR WORDING VARIATIONS FOUND IN AUDITORS' REPORT

Wording Variations Used	Wording Variation Found in Standard Short-Form	Modified Short-Form
Accompanying included in opening sentence, but not in opinion paragraph	54	–
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	39	–
Financial statements substituted for names of statements throughout	4	12
Disclosure of state of incorporation after name of company	49	–
As of in scope paragraph replaced by:		
at	48	–
as at	26	–
Variations of *for the year then ended,* such as *for the fiscal year, for the fifty-two weeks, for the year ended* (date), etc.	49	12
At in *In our opinion* sentence replaced by *as of* or *as at*	83	1
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.	322	–
Reference to notes in general in opinion sentence	16	3
Name of company does not appear in opinion paragraph	5	–
Other wording variations	27	1
Total	730	29

Typical Modified Short—Form Report

To the Shareholders of
The Carborundum Company:

In our opinion, the accompanying consolidated balance sheet, the related consolidated statements of income, retained earnings and source and application of funds present fairly the financial position of The Carborundum Company and its subsidiaries at December 31, 1970 and 1969, the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Opinion of Independent Accountants.*

To the Shareholders and the Board of Directors
of Sybron Corporation

In our opinion, the statements appearing on pages 22 through 25 of this report present fairly the financial position of Sybron Corporation and its subsidiaries at December 31, 1970 and 1969, the results of their operations and the source and disposition of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements 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.—*Opinion of Independent Accountants*

TABLE 6-6: EXCEPTIONS TO SCOPE

Auditing Procedure Omitted for	1970	1969	1968
Receivables not confirmed			
Due from U.S. Government	9	36	39
Due from others	4	13	7
Other procedures omitted	–	–	1
Total omissions	13	49	47
Number of Companies			
Referring to omission of procedures	12	43	46
Not referring to omission	588	557	554
	600	600	600
Reference to Omission			
First part of sentence:			
A: "It was *not practicable (impracticable)* to..."	7	34	32
"We were *unable* to..."	4	12	7
Other explanations	2	3	7
Total	13	49	46
Second part of sentence:			
B: "We *satisfied* ourselves...other auditing procedures"	11	40	37
"We *carried* out...other auditing procedures"	2	9	8
Other descriptions	–	–	1
	13	49	46

EXCEPTIONS TO SCOPE

"GENERALLY ACCEPTED AUDITING STANDARDS"

Chapter 2 of *Statements on Auditing Procedure No. 33* states in part:

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

Statement on Auditing Procedure No. 43 – Confirmation of Receivables and Observation of Inventories, issued in September 1970, states in part:

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.

(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 th 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 postion 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.

As a result of the issuance of *Statement No. 43,* Table 6-6 shows a marked decline in the number of scope exceptions. The 12 auditors' reports containing a scope exception were presented in annual reports of companies with fiscal years ending on September 30, 1970 or prior to. Such scope exceptions were in compliance with disclosure requirements stated in *Statement On Auditing Procedure No. 33* and *Statement On Auditing Procedure No. 36* but superseded by *Statement No. 43.*

REFERENCE TO OTHER AUDITORS

Statement on Auditing Procedure No. 45— Using the Work and Reports of Other Auditors, issued in July 1971, supersedes paragraphs 32 to 36 of Chapter 10 of *Statement on Auditing Procedure No. 33.* Statement No. 45 states in part:

3. If the auditor decides that it is appropriate for him to serve as the principal auditor, he must then decide whether to make reference in his report to the examination made by another auditor. If the principal auditor decides to assume responsibility for the work of the other auditor insofar as that work relates to the principal auditor's expression of an opinion on the financial statements taken as a whole, no reference should be made to the other auditor's examination. On the other hand, if the principal auditor decides not to assume that responsibility, his report should make reference to the examination of the other auditor and should indicate clearly the division of responsibility between himself and the other auditor in expressing his opinion on the financial statements. Regardless of the principal auditor's decision, the other auditor remains responsible for the performance of his own work and for his own report.

7. When the principal auditor decides that he will make reference to the examination of the other auditor, his report should indicate clearly, in both the scope and opinion paragraphs, the division of responsibility as between that portion of the financial statements covered by his own examination and that covered by the examination of the other auditor. The report should disclose the magnitude of the portion of the financial statements examined by the other auditor. This may be done by stating the dollar amounts or percentages of one or more of the following: total assets, total revenues or other appropriate criteria, whichever most clearly reveals the portion of the financial statements examined by the other auditor. The other auditor may be named, but only with his express permission and provided his report is presented together with that of the principal auditor.

9. An example of appropriate reporting by the principal auditor indicating the division of responsibility when he makes reference to the examination of the other auditor follows:

We have examined the consolidated balance sheet of X Company and subsidiaries as of December 31, 197— and the related consolidated statements of income and retained earnings and of changes in financial position 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 B Company, a consolidated subsidiary, which statements reflect total assets and revenues constituting 20% and 22%, respectively, of the related consolidated totals. These statements were examined by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for B Company, is based solely upon the report of the other auditors.

In our opinion, based upon our examination and the report of other auditors, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings and of changes in financial position present fairly....

When two or more auditors in addition to the principal auditor participate in the examination, the percentages covered by the other auditors may be stated in the aggregate.

15. Following a pooling of interests transaction, an auditor may be asked to report on restated financial statements for one or more prior years when other auditors have examined one or more of the entities included in such financial statements. In some of these situations the auditor may decide that he has not examined a sufficient portion of the financial statements for such prior year or years to enable him to serve as principal auditor (see paragraph 2). Also, in such cases, it often is not possible or it may not be appropriate or necessary for the auditor to satisfy himself with respect to the restated financial statements. In these circumstances, it may be appropriate for him to express his opinion solely with respect to the compilation of such statements; however, no opinion should be expressed unless the auditor has examined the statements of at least one of the entities included in the restatement for at least the latest period presented. The following is an illustration of appropriate reporting on compilation which can be presented in an additional paragraph of the auditor's report following the standard scope and opinion paragraphs covering the consolidated financial statements for the current year:

We previously examined and reported upon the consolidated statements of income and of changes in financial position of XYZ Company for the year ended December 31, 19— — prior to its restatement for 19— — poolings of interests. The contribution of XYZ Company to revenues and net income represented — —% and — —% of the respective restated totals. Separate financial statements of the pooled companies included in the 19— — restated consolidated statement of income were examined and reported upon separately by other auditors.We also have reviewed, as to compilation only, the accompanying consolidated statements of income and of changes in financial position for the year ended December 31, 19— — after restatement for 19— — poolings of interests; in our opinion, such consolidated statements have been properly compiled on the basis described in Note X of notes to consolidated financial statements.

17. When one auditor succeeds another, the successor auditor must establish the basis for expressing his opinion on the financial statements for the first year he examines and on the consistency of the application of accounting principles in that year as compared with the preceding year. This may be done by applying appropriate auditing procedures to the account balances at the beginning of the period under examination. The scope of this work may be reduced by consultation with the predecessor auditor and review of the predecessor auditor's working papers. In such cases, it is customary for the predecessor auditor, as a matter of professional courtesy, to make himself available to the successor auditor for consultation and to make his working papers available for review. However, in reporting on his examination, the successor auditor should not make reference to the report or work of the predecessor auditor as the basis in part for his own opinion.[4] If the successor auditor is unable to obtain satisfaction as to the opening balances insofar as they affect the financial statements for the period on which he is reporting, he should appropriately qualify his opinion or disclaim an opinion and state his reasons for doing so.

[4] This is not intended to preclude the auditor from stating that the financial statements for the prior year were examined by other auditors when those statements are presented for comparison purposes. See paragraph 48, Chapter 10 of *Statement on Auditing Procedure No. 33.*

TABLE 6-7: REFERENCES TO OTHER AUDITORS

Manner of Reference	1970	1969	1968	1967
Adopting the *opinion* paragraphs referred to in par. 34 of Statement No. 33	66	67	64	58
Adopting the *scope* paragraph referred to in par. 34 of Statement No. 33	20	23	25	24
Reference to other auditors does not include specific statement that opinion is based on their report	2	2	5	6
Reference to examination by other auditors of prior year statements	11	7	8	4
Number of Companies				
Auditors' opinion refers to other auditors	99	99	102	92
No reference to other auditors	501	501	498	508
Total	600	600	600	600
Examination by Other Auditors Covers:				
Current year statements for branch or consolidated subsidiary	79	72	81	77
Current year statements for unconsolidated subsidiary or affiliate only	12	17	12	10
Prior year statements only	8	10	9	5
Total	99	99	102	92

Table 6—7 summarizes the manner in which references were made to other auditors and the portion of the financial statements examined by other auditors. Such references were expressed in compliance with requirements stated in Statement No. 33 which has been superseded by Statement No. 45. Nine auditors' reports containing a reference to other auditors state dollar amounts or percentages for the portion of the financial statements examined by other auditors. Examples of such disclosures follow.

The Board of Directors and Shareholders
American Electronic Laboratories, Inc

We have examined the accompanying consolidated balance sheet of American Electronic Laboratories, Inc. at November 30, 1970, and the related consolidated statements of operations, shareholders' equity and source and application of funds for the year then ended. Our examination of the financial statements of the Company and its domestic subsidiaries was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have received the report of other independent auditors with respect to their examination of the financial statements of the Company's majority–owned foreign subsidiary, whose assets and sales represent 9% and 8% of the corresponding consolidated total.

In our opinion, based on our examination and the report of other independent auditors referred to above, the statements mentioned above present fairly the consolidated financial position of American Electronic Laboratories, Inc. at November 30, 1970 and the consolidated results of operations and the source and application of consolidated 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 financial statements for the previous year were examined by other certified public accountants.—*Auditors' Statement*

To The Board of Directors and Stockholders of
The Bendix Corporation:

We have examined the consolidated balance sheet of The Bendix Corporation and its consolidated subsidiaries as of September 30, 1970 and the related consolidated statements of income, 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. We did not examine the financial statements of American Forest Products Corporation and subsidiary companies (whose assets and net sales constitute approximately 11.2% and 10.3% of the respective consolidated totals), which are included in the consolidated financial statements for the first time, but we were furnished with the opinion of other accountants on their examination of such financial statements.

In our opinion, based on our examination and the opinion of other accountants referred to above, the previously mentioned consolidated financial statements present fairly the financial position of the companies at September 30, 1970 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, after the restatement of per share data referred to in Note 11 to the consolidated financial statement.—*Accountants' Opinion.*

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, 1970 and 1969, 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 considered necessary in the circumstances. We did not examine the financial statements of certain subsidiaries whose assets represent less than 15% of total consolidated assets and whose income represents less than 25% of total consolidated income, but we were furnished with the reports of other auditors on such financial statements.

In our opinion, based upon our examination and the reports of other auditors referred to above, and subject to the collectibility of certain claims referred to in Note 2, the above–mentioned financial statements present fairly the financial position of The American Ship Building Company and Subsidiaries as of September 30, 1970 and 1969, 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 consistently applied during the periods.—*Opinion Of Independent Accountants.*

To the Stockholders and Board of Directors of
Great Western United Corporation:

We have examined the consolidated financial statements of Great Western United Corporation and its subsidiaries for the year ended May 31, 1970. Our examination was made in accordance with generally 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 Great Western Cities (whose assets, net sales and operating revenues, and net income constitute 42 per cent, 22 per cent and 77 per cent of the respective consolidated totals), but we were furnished with the report of other accountants on their examination of the financial statements of Great Western Cities for the year.

In our opinion, based on our examination and the report of other accountants referred to above, the accompanying consolidated balance sheet and consolidated statements of income, retained earnings, and source and application of funds, present fairly the financial position of Great Western United Corporation and its subsidiaries at May 31, 1970 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 (after restatement of the financial statements for that year as explained in note 1).—*Accountants' Opinion.*

The Shareholders
H. J. Heinz Company:

We have examined the consolidated balance sheet of H. J. Heinz Company and consolidated subsidiaries as of April 29, 1970 and the related statements of income, additional capital and retained earnings and the summary of changes in working capital for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of certain subsidiaries, which are included in the consolidated statements, were examined by other independent public accountants whose reports have been furnished to us. Net assets and net sales of such subsidiaries constitute approximately 23% and 24% respectively, of the related consolidated figures.

In our opinion, based on our examination and the aforementioned reports of other independent public accountants, the accompanying consolidated balance sheet and statements of consolidated income, additional capital and retained earnings present fairly the financial position of H. J. Heinz Company and consolidated subsidiaries at April 29, 1970 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. Also, in our opinion, the accompanying summary of changes in working capital for the fiscal year ended April 29, 1970 presents fairly the information shown therein.—*Accountants' Report*

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:

> I. 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.

Chapter 10 also discusses the various types of opinions (unqualified, qualified, disclaimer, piecemeal) and the situations in which each is appropriate. *Statement*

on Auditing Procedure No. 46—Piecemeal Opinions, issued in July 1971, supersedes Chapter 10 with regard to piecemeal opinions rendered on financial statements for periods ending subsequent to November 30, 1971.

QUALIFICATIONS AS TO FAIR PRESENTATION

Table 6—8 shows that 83 auditors' reports express either a fair presentation qualification or a consistency qualification as to 103 matters. All but two of the fair presentation qualifications pertain to "unusual uncertainties as to the effect of future developments on certain items". Examples of disclaimers and fair presentation qualifications follow. Examples of consistency qualifications are shown in connection with Table 6-9.

Piecemeal Opinion

The Board of Directors
Kathol Petroleum, Inc.

We have examined the consolidated balance sheet of Kathol Petroleum, Inc. and subsidiaries at August 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 tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances

The accompanying financial statements have, in our opinion, been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

While the Company operated at a profit during prior years, a substantial operating loss was sustained during the year ended August 31, 1970. Continuation of the business as a going concern is, in our opinion, dependent upon future profitable operations, additional financing and/or additional equity capital. Accordingly, as the valuations of property and equipment, deferred charges and other assets and all other items appearing in the consolidated financial statements of Kathol Petroleum, Inc. and subsidiaries are presented on a going concern basis, we do not express an over—all opinion as to the fairness of the consolidated balance sheet and consolidated statement of income and retained earnings, taken as a whole, nor do we express an opinion on the valuations of property and equipment and deferred charges and other assets as presented in the consolidated balance sheet or the resultant effect of such valuations on the retained earnings (deficit) at August 31, 1970, or on the net loss for the year then ended.

It is our opinion that current asset, current liability, production payments payable, long term debt, stock purchase plan deductions, capital stock and paid in surplus accounts, as presented in the consolidated balance sheet of Kathol Petroleum, Inc. and subsidiaries at August 31, 1970, are presented fairly. It is also our opinion that income, cost and expense, loss on sale of properties, interest income on certificates of deposit and marketable securities and recoverable Federal income tax accounts as presented in the consolidated statement of income and retained earnings of Kathol Petroleum, Inc. and subsidiaries for the year ended August 31, 1970, are presented fairly.—*Report of Certified Public Accountants.*

TABLE 6-8: AUDITORS' OPINION QUALIFIED

Reason for Qualification	1970	1969	1968	1960
Fair Presentation:				
Valuation or realization of assets	20	16	5	N/C
Litigation	16	16	8	15
Tax or renegotiation liability	14	9	6	7
Claims in connection with sales contracts	2	4	11	N/C
Cost of discontinued operations	6			
Availability of adequate financing	5	10	9	2
Other	5			
Subtotal	68	55	39	24
Change in Application of Accounting Principles (see Table 6-9)	35	59	58	54
Total	103	114	97	78
Number of Auditors' Reports containing				
An unqualified expression of opinion	515	510	513	532
A qualified expression of opinion	83	90	86	68
Disclaimer of opinion	2	–	1	–
Total	600	600	600	600

N/C—Not compiled.

Disclaimer of Opinion

To the Board of Directors and Stockholders
General Plywood Corporation

We have examined the consolidated balance sheet of General Plywood Corporation and subsidiaries as of October 31, 1970 and the related statements of operations, capital surplus, and retained earnings (deficit) for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records 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.

The aforementioned financial statements have been prepared on the going—concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business, continuation of which is dependent upon the Corporation obtaining additional financing and achieving profitable operations. As described in Note 1 to the financial statements, adverse operating results have diminished the Corpora-

tions's working capital and tangible net worth to less than the amounts required under certain loan agreements. As a result, the lender has a continuing right to declare the related loans and promissory notes immediately payable and due. The classification of a portion of the promissory notes as long-term obligations is dependent upon the lender's refraining from exercising its right to accelerate the maturities. Should the lender exercise the aforesaid right or should continued losses or other circumstances dictate, the order of maturity of the liabilities and the carrying values of assets could be significantly altered. Also, as described in Notes 1 and 5 to the financial statements, the recoverability of the unamortized patent costs is not susceptible of reasonable determination at this time.

Because of the matters described in the preceding paragraph we are unable to express an opinion on the aforesaid financial statements.—*Accountants' Report.*

Notes to Financial Statements

Note 1: As a result of the loss incurred during the year ended October 31, 1970, the Corporation is in violation of loan agreement convenants concerning maintenance of working capital and net tangible assets. Because of such violation, the lender has the continuing right to declare all of its loans to the Corporation (more fully described in Note 6) immediately due and payable and to foreclose on substantially all of the Corporation's assets. As of January 15, 1971, the lender had not exercised such rights and negotiations are continuing with the lender as to additional financing. The portion of such loans due after October 31, 1971 under the basic terms, $522,900, has not been reclassified from noncurrent to current liabilities inasmuch as the lender has not exercised its rights to demand immediate payment.

Uncertainties exist as to domestic patent costs of $761,668 carried in assets at October 31, 1970, the ultimate realization of which is dependent upon the outcome of litigation as referred to in Note 5.

Subsequent to October 31, 1970, a plant with a net book amount of $410,000 was closed because of lack of need for its production. Also, unaudited financial data indicates that the Corporation has continued to incur losses in November and December 1970.

Note 5: In December 1966 the U.S. Sixth Circuit Court of Appeals upheld a decision by the U.S. District Court, Western District of Kentucky, that the Corporation's "Microseal process" patent was valid but that the Corporation had not proven infringement. A suit presently is pending in the U.S. District Court, Southern District of Georgia, Savannah Division, for infringement and back royalties against a different party. A Special Master of the Court was appointed who rendered a proposed draft of his decision in April 1970 and requested both parties to submit briefs (and later rebuttal briefs) concerning his findings. This initial draft could be interpreted as adverse to the Corporation's claims. A hearing was held in September 1970 at which time the Corporation presented tests which its patent counsel (a member of the Board of Directors) believes were conclusive in proving infringement. Special counsel for the Corporation is of the opinion that the Corporation was entitled to prevail in the earlier suit and is entitled to prevail in the present suit. The decision of the court is pending.

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 27, 1970, 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 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 consolidated financial statements for 1969 as to which our opinion was qualified as to the outcome of contingencies of extraordinary magnitude arising from disputes with, and claims against, the U.S. Government as well as uncertainty as to the commercial TriStar program.

As discussed in Notes 2, 3 and 7, the Company is faced with problems of extraordinary magnitude. These problems are interdependent and hopes for their satisfactory resolution rest upon the accomplishment in 1971 of the five matters enumerated in Note 3, followed by the obtaining of substantial new orders for the L-1011 TriStar commercial jet transport, together with its production at approximately the cost levels which have been estimated.

The accompanying financial statements have been prepared on a going-concern basis. However, because of the magnitude of the contingencies referred to above, the Company's continued operation is dependent upon the satisfactory resolution of these matters. Accordingly, until these uncertainties are significantly reduced, we will not be in a position to express and we do not now express an opinion on the accompanying 1970 financial statements.—*Auditors' Report.*

Notes to Financial Statements

Note 2: At the end of 1969, the Company was involved in disputes with and claims against the U.S. Government involving contracts for the C-5A aircraft, the AH-56A Cheyenne armed helicopter, the motor for the Short Range Attack Missile (SRAM) and various ship construction contracts. The 1969 earnings statement reflects a provision for estimated losses of $150,000,000 in connection with these matters.

Some of these matters have been finally settled and as to the remainder, understandings have been reached for settlement. The necessary contractual documents are being prepared and it is expected that these will be signed by the end of June, 1971. The Company estimates that the impact of these settlements and understandings will be a pre-tax loss of $190,000,000 (in addition to losses recorded in 1969 and prior years) and this additional loss has been reflected in the 1970 financial statements.

Pending the expected contractual documentation, these understandings are not legally binding on the parties. If, for any reason, they are not implemented, there will be far reaching effects on the Company's financial position, operations and ability to obtain financing.

Note 3: Early in February 1971, Rolls-Royce Limited, the manufacturer of the RB.211 propulsion system for the L–1011 TriStar commercial jet transport, went into receivership. Subsequently, Rolls–Royce (1971) Limited, a corporation owned by the government of the United Kingdom, was established. A conditional purchase agreement has been negotiated with that company to supply the RB.211 propulsion system at an increase from previously established prices and on a deferred delivery schedule. The obligations of Rolls–Royce and Lockheed to proceed with this agreement are subject to the prior accomplishment of a number of matters.

The Company has also negotiated conditional agreements with some of its L–1011 customers signifying their intent to continue their participation in the L-1011 program, providing for an increase in the aircraft price sufficient to cover the increase in the price of the propulsion system and providing for a deferred delivery schedule.

The principal matters which must be accomplished in order to obtain firm agreements with Rolls–Royce (1971) Limited and the L-1011 customers, and to obtain permanent financing arrangements with the banks are as follows:

1. A guarantee by the U.S. Government of additional bank borrowings of $250,000,000 under the proposed new credit agreement as described in Note 7.
2. Execution of a contract between Rolls–Royce (1971) Limited and the United Kingdom government covering the total funding of the RB.211 development and production program, and written assurances by that government that adequate funding has been provided to reasonably enable Rolls–Royce to carry out the RB.211 program.
3. Effectivity of the purchase agreement for the RB.211 propulsion system with Rolls–Royce (1971) Limited.
4. Execution of firm agreements with present L–1011 customers to absorb a price increase and continue with the L–1011 program.
5. Execution of restructured contracts covering the C–5A and AH–56A programs and the collection of amounts due from the U.S. Government under the AH–56A development contract and from the negotiated settlement of claims under ship construction contracts.

These matters are interrelated and a failure to resolve them in a manner satisfactory to the parties involved could result in the termination of the L–1011 program and would be critical to the survival of the Company. It is anticipated that if the U.S. Government guarantees the $250,000,000 of additional bank borrowings, the remaining matters would be resolved satisfactorily. If adequate financing cannot be obtained, termination of the L–1011 program would be forced and bankruptcy of Lockheed could result.

Gross inventories at December 27, 1970 of $699,000,000 applicable to the L–1011 TriStar commercial jet transport include all development, tooling and production costs incurred from the inception of the program in the Spring of 1968. At December 27, 1970, customers' advances of $232,000,000 had been received. At May 2, 1971, these amounts aggregated $818,000,000 and $257,000,000 respectively. Under the accounting policy adopted by the Company, work in process inventories are stated at the lower of cost or estimated realizable value based upon the total number of aircraft in the program including aircraft not yet on order. Based upon current cost and sales price projections, the estimated cost to develop and produce such aicraft and related spare parts is not in excess of estimated realizable value. Orders for a substantial number of additional aircraft are required to recover all program costs. Deliveries under the program are scheduled to commence in March 1972 and continue for several years thereafter. Such long–range programs necessarily involve many estimates of both costs and sales. The recovery of the TriStar inventory is dependent upon the actual costs and the ultimate sale of a major portion of the aircraft in the program and the outcome of the matters discussed above.

Note 7 (in part): The Credit Agreement as last amended in April, 1971 provides for maximum borrowings of $400,000,000 under revolving ninety day notes maturing not later than December 31, 1971, at which time the Company could amortize the outstanding balance over four years. The notes bear interest at the prime commercial bank rate until April 18, 1971 and thereafter at ½% above the prime rate (currently 5½%). The amended agreement contemplates a new agreement which will constitute part of a financing plan for the Company consisting of $650,000,000 of credit to be extended by the present banks (of which $400,000,000 will refinance credit extended under the present agreement) and approximately $100,000,000 of additional or accelerated prepayments by airline customers. The new agreement which may alter the above repayment schedule is to be entered into on or before September 30, 1971, or such later date (prior to December 31, 1971) as shall be determined by the controlling banks. It is contemplated that, as conditions precedent to the execution of the new agreement, the Company will have executed firm agreements with Rolls-Royce (1971) Limited for the purchase of RB.211 propulsion systems for the L-1011 and with most of the L-1011 customers affirming their intentions to continue with the L-1011 program and the U.S. Government will have provided for a guarantee of $250,000,000 of additional bank loans (see Note 3). If the new agreement is not signed by the banks and the Company within the prescribed time, the controlling banks may declare all outstanding notes due and payable. The notes payable to banks have been classified as long term debt in contemplation of the execution of the new agreement.

The proposed restructured C–5A contract provides for repayment to the U.S. Government of $100,000,000 of the $200,000,000 fixed loss in quarterly installments of $2,500,000 or more over a period of up to ten years commencing January 1, 1974, with interest accruing from that date at the prime commercial bank rate. Accordingly, $100,000,000 of the loss recorded in 1970 on the C–5A contract has been included in long term debt as a deferred liability to the U.S. Government. It is anticipated that the deferred liability will be secured by a lien on the property, plant and equipment owned by the Company at Marietta, Georgia, having a depreciated cost of $38,000,000 at December 27, 1970.

Valuation or Realization of Assets

To the Stockholders and Board of Directors of
W. R. Grace & Co.

We have examined the consolidated balance sheets of W.R. Grace & Co., and its consolidated subsidiary companies as of December 31, 1970 and 1969, the related statements of income, retained earnings and paid in capital and the consolidated statements of source and application 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.

As described in Note 1 of the Notes to Financial Statements, the ultimate realizable value of the Company's investments in and advances to unconsolidated Peruvian subsidiary companies, carried at $43,154,000 at December 31, 1970, is not presently determinable.

In our opinion, subject to the effect, if any, of the settlement of the matter mentioned in the preceding paragraph, the accompanying consolidated financial statements examined by us present fairly the financial position of W. R. Grace & Co. and its subsidiary companies at December 31, 1970 and 1969, the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied.—*Opinion of Independent Accountants.*

Notes to Financial Statements.

Note 1 (in part): Principles of Consolidation

(a) General—

The consolidated financial statements include the accounts of W. R. Grace & Co. and all majority owned and controlled domestic and foreign subsidiary companies (except for Peruvian subsidiary companies— see (c) below). 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 properties and equipment (and related depreciation) have been translated at rates prevailing at dates of acquisition. Income and expenses (other than depreciation) have been translated at rates prevailing during the year.

(c) Investments in Unconsolidated Peruvian Subsidiary Companies—

During 1969 the Peruvian Government, under its Agrarian Reform Law, assumed control of certain subsidiaries' lands and sugar mills in Peru. The results of operations of these properties since the assumption of control by the Peruvian Government have been excluded from the Consolidated Statement of Income and Retained Earnings. The net asset value of these properties has been charged as extraordinary items in the Consolidated Statement of Income and Retained Earnings. A claim for compensation in the form of Agrarian Reform bonds has been filed with the Peruvian Government. Proceeds on these bonds will be recognized upon realization.

In July 1970, the Peruvian Government issued The General Industry Law which provides, among other things, that foreign ownership of industrial companies in Peru be reduced to a minority position and in certain cases divested, within an agreed period, after the recovery of the capital invested and a reasonable profit. Accordingly, all of the Peruvian subsidiary companies were deconsolidated at June 30, 1970 and the Company's equity in the book value of the underlying net assets at that date has been reported in "Investments in and advances to unconsolidated Peruvian subsidiary companies." The General Industry Law has not as yet been implemented and the ultimate realizable value of these investments and advances is not presently determinable. Subject to future developments, it is the Company's present intention to reduce the carrying value of these investments and advances by the amount of related divestment proceeds and other remittances, if any.

To the Directors and Stockholders of
Kennecott Copper Corporation

We have examined the consolidated balance sheet of Kennecott Copper Corporation and subsidiaries as of December 31, 1970 and the related statements of income and earned surplus and of 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. We previously made a similar examination of the financial statements for the year 1969.

In our opinion, subject to the final determination of the indemnization related to the Company's investment in Chile referred to in Note 3 and the outcome of the litigation referred to in the last paragraph of Note 11, the aforementioned financial statements present fairly the consolidated financial position of Kennecott Copper Corporation and Subsidiaries at December 31, 1970 and 1969 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.—*Auditors' Certificate*

Notes to Financial Statements

Note 3: Investment in Sociedad Minera El Teniente S.A.

On December 22, 1970, a proposed Constitutional Reform Bill was submitted to the Chilean legislature providing for the nationalization of foreign-owned copper properties in Chile and the nullification of all prior agreements. Under the proposed Bill mineral resources become the property of Chile without compensation. Payment for expropriated related facilities, based upon original cost less depreciation and certain other adjustments, would be made over a thirty-year period with interest at 3% per annum. The effect on the Company's financial statements is not presently ascertainable since the ultimate determination of the amount of indemnization is subject to the enactment of the Bill by the Chilean legislature and the determination of the amount by the Government of Chile. At December 31, 1970, the Company's investment consisting of stock and notes, carried at cost, totaled $140,707,683.

Under a contract of guarantee with the Overseas Pri-

vate Investment Corporation, as successor to the Agency for International Development, expropriation coverage is in effect covering the $80,000,000 principal amount of the 5¾% Series A notes plus interest for one year.

Interest on the El Teniente notes is recognized in the accounts and has been evidenced by receipt of additional notes. Dividends received on the stock of El Teniente in 1970 and 1969, net of Chilean dividend taxes, amounted to $20,273,000 and $21,780,000, respectively.

Note 11 (in part): Legal Proceedings

In June, 1970, Triangle Industries Inc. filed suit against several domestic copper producers and fabricators, including Kennecott and its subsidiary Chase Brass & Copper Co. Incorporated, alleging various violations of the Federal antitrust laws seeking treble damages and divestiture by the producers of their fabricating subsidiaries. Reading Industries, Inc. filed a similar suit in October. Answers categorically denying all the allegations have been filed by all defendants. Outside counsel advises that although these actions are in their preliminary stages and the potential liability, if any, of Kennecott and Chase cannot be presently determined nothing has come to their attention in the course of their investigation that causes them to believe that a judgment will be entered against either Kennecott or Chase in either action.

The Stockholders and Board of Directors
Spencer Shoe Corporation

We have examined the Consolidated Balance Sheet of Spencer Shoe Corporation and Subsidiaries as of May 30, 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.

In our opinion, except that no provision has been made for the decline (approximately $1,200,000.00) in market value of marketable securities carried at cost, referred to in Note 2 to the Financial Statements, the accompanying Consolidated Balance Sheet fairly presents the financial position of the Company and its Subsidiaries as at May 30, 1970, and the related Statement of Income and Retained Earnings fairly presents the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountant's Report.*

Notes to the Consolidated Financial Statements

Note 2: Marketable Securities

Marketable Securities having a current market value of $1,033,230.00 are carried at a cost of $2,228,070.85 and no provision has been made for such decline. Substantially all of such investment consists of common stock of a non—affiliated company. In the opinion of management, the market decline does not represent a permanent impairment in the investment value.

Shareholders and Board of Directors
White Motor Corporation
Cleveland, Ohio

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, 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. We previously made similar examinations of the financial statements for the preceding year.

In our opinion, subject to the recovery of the cost of the assets referred to in Note C, the accompanying balance sheets and statements of income, retained income, capital in excess of par value, income and retained income, and source and application of funds 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, 1970, and the consolidated results of their operations and changes in shareholders' equity, and, for White Motor Corporation and consolidated subsidiaries, 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.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Note C: Construction in Progress— In late 1970, the Corporation suspended and rescheduled for later completion dates certain activities in connection with the construction and equipping of its new engine plant in Canton, Ohio, and the related engine program. As a result of these delays, management also found it necessary to extend the completion date on modernization and expansion of its Charles City, Iowa, foundry.

Preproduction charges for these projects are being expensed as incurred. The capital cost of these projects through December 31, 1970, including machinery and equipment and land aggregates $60,900,000 and is included in the consolidated balance sheet in property, plant and equipment. There are outstanding commitments for an additional $5,200,000 and management expects that expenditures beyond these commitments will be required to make the new engine plant and expanded foundry operational.

Notwithstanding the delays described above, management is endeavoring to arrange for completion of the above described projects and facilities in 1971, and further for recovery of the capitalized costs through revenues realized from the use of the facilities, or by other means.

Litigation

To the Stockholders and Board of Directors of
American Bakeries Company

We have examined the consolidated balance sheets of American Bakeries Company (a Delaware corporation) and Subsidiary as of December 27, 1969, and January 2, 1971, 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, subject to the effect on the consolidated financial statements of any adjustments that may result from the litigation mentioned in Note 9, the accompanying consolidated financial statements present fairly the financial position of American Bakeries Company and Subsidiary as of December 27, 1969, and January 2, 1971, and the results of their operations and source and application of funds for the years then ended, all in conformity with generally accepted accounting principles consistently applied during the periods. — *Auditors' Report*

Notes to Financial Statements

Note 9: Contingencies

The company is one of a total of eighteen defendants involved in two sets of antitrust actions arising from alleged violations in prior years. The damages claimed in these actions have not yet been specified by any plaintiff, but such damages, if any, may be substantial. The company denies any wrongdoing or liability for damages and is vigorously opposing these actions. Their legal counsel indicates that substantial defenses exist for such claims but is unable to estimate the ultimate liability, if any, at this time.

To the Stockholders and Board of Directors
Holly Sugar Corporation

We have examined the consolidated balance sheet of Holly Sugar Corporation and subsidiaries as of March 31, 1970 and the related consolidated statements of income and 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.

In our opinion, subject to the final determination of the litigation described in Note 10 to the financial statements, the accompanying financial statements present fairly the financial position of the companies at March 31, 1970 and the results of their operations and the source and use 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. — *Opinion of Independent Accountants*

Notes to Financial Statements

Note 10: Pending Litigation:

A suit has been brought against Holly Sugar Corporation ("Holly") and a co-defendant seeking specific performance, by one or both of the defendants, of an alleged agreement to purchase 20% of the outstanding stock in and a note of Talisman Sugar Corporation ("Talisman") for a total price of approximately $1,925,000 or, alternatively, damages of $1,925,000 for breach of such alleged agreement. Holly denies any obligation regarding the plaintiff's claim and has filed a counterclaim against the plaintiff and a cross-claim against the co-defendant in the suit. A cross-counterclaim was filed against Holly by the co-defendant alleging that Holly had agreed to buy all of the outstanding stock of Talisman, including the remaining 80% of such stock owned by the co-defendant. The co-defendant claims in his cross-counterclaim consequential and compensatory damages of $16,000,000 and punitive damages of $25,000,000. Holly denies all the co-defendant's claims.

To the Stockholders of
Lehigh Portland Cement Company

In our opinion, subject to the effect, if any, of the litigation referred to in the first paragraph of Note 8, the accompanying statements of consolidated financial position, the related statements of consolidated earnings and retained earnings and the statements of consolidated source and application of funds, present fairly the financial position of Lehigh Portland Cement Company and its subsidiaries at December 31, 1970 and 1969, the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied. 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. — *Accountants' Report*

Notes to Consolidated Financial Statements

Note 8 (in part): Litigation — A treble damage action instituted in 1967, amended in 1969, alleging that the company, together with ten other ready-mix concrete producers violated the antitrust laws in sales of ready-mix concrete in Dade and Broward Counties, Florida in the years 1967, 1968 and 1969, is scheduled for trial in 1971. Several related suits have been filed but have been stayed pending disposition of the original action. Legal counsel is of the opinion that, although the company has a valid defense to these actions, the complex nature of the litigation makes the outcome uncertain. Moreover, the majority of the plaintiffs have failed to specify the amount of damages which they intend to claim. Therefore, it is impractical at this time to measure the potential effect, if any, on the operating results for each of the years involved. However, in the opinion of management the aggregate possible awards, if any, should not be material relative to the company's financial position.

Tax or Renegotiation Liabilities

Shareholders and Board of Directors
McDonnell Douglas Corporation

We have examined the consolidated financial statements of McDonnell Douglas Corporation and consolidated subsidiaries for the year ended 31 December 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the financial statements for the preceding year.

In our opinion, subject to final determination of the litigation and renegotiation proceedings described in Note M to the consolidated financial statements, the accompanying balance sheet, statements of earnings, shareholders' equity, and working capital present fairly the consolidated financial position of McDonnell Douglas Corporation and consolidated subsidiaries at 31 December 1970, the consolidated results of their operations, the changes in capital accounts, and changes in working capital for the year then ended, in comformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—
Independent Public Accountants' Report

Notes to Consolidated Financial Statements

Note M: Litigation and renegotiation— MDC is a defendant in sixteen lawsuits pending in the United States District Court for the Southern District of New York seeking recovery for losses alleged to have been incurred as a result of alleged violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 and/or the common law by DAC and others prior to the merger of McDonnell and Douglas in 1967. Five of these suits have been adjudged class actions. Two of the suits are derivative, having been brought on behalf of MDC. An additional similar derivative suit is pending in the New York Supreme Court.

Most of the above lawsuits seek general damages against MDC for losses alleged to have been incurred. MDC has filed answers denying the material allegations of each complaint and alleging in addition certain affirmative defenses. MDC believes that the denials and defenses are valid. Due to the class nature of certain of the actions, it is impossible to determine the amount of potential liability. However, if plaintiffs are able to prove their allegations, such liability could be substantial.

In August 1970 a purchaser of Douglas stock in 1966 obtained a verdict of $712,500 against MDC and another defendant, jointly and severally, in the United States District Court in Colorado. Some of the issues in this case parallel those in the New York suits discussed above. Motions to set aside the verdict are pending, and, if denied, the judgment based on the verdict will be appealed.

MDC is also defendant in other civil actions, some of which are covered by insurance. In the opinion of corporate counsel, other civil actions are either without merit or the potential liability would not materially adversely affect the financial condition of MDC (although the aggregate amount of damages alleged is substantial).

Renegotiation proceedings under the Renegotiation Act of 1951, as amended, of business performed by McDonnell Aircraft Corporation (MAC) have been concluded through 30 June 1964 and for DAC through 30 November 1966. The Renegotiation Board has issued an order determining that MAC realized excessive profits of $8,000,000 (before federal and state income tax credits) for the fiscal year ended 30 June 1965. A petition has been filed with the United States Tax Court disputing this determination of the Board. For MAC's fiscal year ended 30 June 1966, the Western Regional Renegotiation Board has recommended to The Renegotiation Board a determination that MAC realized excessive profits of $45,000,000 (before federal and state income tax credits). As of 31 December 1970, The Renegotiation Board had made no determination in the case. MDC is of the opinion that it has not realized excessive profits for its fiscal years ended 30 June 1965 and 30 June 1966, or for subsequent fiscal years; however, it cannot predict the outcome of these renegotiation proceedings nor those for other unsettled years and has made no provision for renegotiation refunds.

To the Board of Directors and Stockholders of
Warner-Lambert Company

We have examined the statement of consolidated financial position of Warner—Lambert Company (formerly Warner—Lambert Pharmaceutical Company) and its subsidiaries as of December 31, 1970, the related statement of consolidated income and retained earnings and the statement of consolidated sources and uses of funds 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.

In our opinion, subject to the effect, if any, of the final settlement of the tax litigation referred to in Note 4, the consolidated financial statements examined by us appearing on pages 25—29 of this report present fairly the financial position of Warner-Lambert Company and its subsidiaries at December 31, 1970, the results of their operations and the sources and uses of funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—
Opinion of Independent Accountants

Notes to Consolidated Financial Statements

Note 4: Tax Litigation— The Internal Revenue Service in its examination of the 1960 federal income tax return of Parke, Davis & Company (which was merged with the Company in 1970) made a reallocation of earnings between Parke-Davis and a wholly owned subsidiary operating in Puerto Rico. Such reallocation resulted in the assessment of a tax deficiency and interest for the year 1960 of approximately $990,000, which has been paid. A suit for refund of the amount paid has been filed in the U.S. District Court for the Eastern District of Michigan. The suit is pending and no date for trial has been set.

The Internal Revenue Service has not completed its examination of the tax returns of Parke-Davis for years

subsequent to 1960. It is estimated that, if the earnings of Parke-Davis and its wholly owned subsidiary for years subsequent to 1960 were to be reallocated on a basis similar to that asserted by the Internal Revenue Service in 1960, the resulting tax deficiency and interest for the ten years ended December 31, 1970 could amount to as much as $35,000,000 (including $1,775,000 and $900,000 relating to 1969 and 1970, respectively). Counsel is of the view that any ultimate liability should be substantially less than this amount. Payments of deficiencies, if any, would be allocated for accounting purposes on a retroactive basis to the periods in which they arose.

To the Stockholders
Winnebago Industries, Inc.

We have examined the accompanying consolidated balance sheet of Winnebago Industries, Inc., and its subsidiary as of February 28, 1970, 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 22, 1969.

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 28, 1970 and February 22, 1969, 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*

Notes to Consolidated Financial Statements

Note 8: 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 Company's products from the financing institution for the balance due them in the event of repossession upon a dealer's default. Although the Company was contingently liable for approximately $2,900,000 under these agreements as of February 28, 1970, losses have been insignificant in past years and the 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 Company is contingently liable as endorser, with recourse, for trade acceptances in the amount of $57,273 at February 28, 1970.

The Internal Revenue Service has disagreed with the Company's contention regarding the applicability of the manufacturer's excise tax provisions of the Internal Revenue Code to the Company's product, KD Kap covers. Assessments of such tax for the period April 1, 1964 through March 31, 1968 have been made and the Company on October 24, 1969 entered into an agreement with the Internal Revenue Service to place marketable securities into escrow to defer collection of such assessments. The Company's maximum liability for such tax, including interest, would aggregate approximately $430,500, net of income tax effect, to February 28, 1970. The Company intends to take appropriate action to contest the Internal Revenue Service's position. In the event that such taxes are found to be legally due, the effect on net income (before dividends on preferred stock redeemed in August, 1966) for each year would be as follows:

	Net Income		Earnings Per Common Share	
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	.01	.01
Feb. 26, 1966	185,552	166,329	.06	.05
Feb. 25, 1967	512,272	420,748	.10	.08
Feb. 24, 1968	1,385,261	1,289,786	.25	.23
Feb. 22, 1969	2,429,713	2,327,363	.42	.40
Feb. 28, 1970	3,206,142	3,085,614	.53	.51

The Company believes that these excise taxes are not due but the final outcome of the matter cannot be determined at this time.

At February 28, 1970, the Company had uncompleted construction contracts and purchase commitments for new production facilities of approximately $267,000.

Costs of Discontinued Operations

To the Stockholders and Directors of
Riegel Paper Corporation

We have examined the consolidated balance sheet of Riegel Paper Corporation and its consolidated subsidiaries as of January 3, 1971 and the related statements of consolidated income, retained earnings, and source and application 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. We did not examine the financial statements of Mohawk Paper Mills, Inc., but we were furnished with the report of Peat, Marwick, Mitchell & Co. on their examination of the financial statements of that subsidiary for the fiscal year. Our opinion expressed below, insofar as it relates to the amounts included for Mohawk Paper Mills, Inc., is based solely upon such report.

In our opinion, subject to the effect of any adjustments which may result from the final determination of losses and costs relating to the plan for facilities retirement and disposition and asset redeployment as described in Note 7 to the consolidated financial statements, such financial statements present fairly the fi-

nancial position of the companies at January 3, 1971 and the results of their operations and the source and application of their funds for the fifty—two weeks then ended in conformity with generally accepted accounting principles applied (except for the change in accounting for certain costs relating to woodlands operations as explained in Note 8 to the consolidated financial statements) on a basis consistent with that of the preceding fiscal year.—*Accountants' Opinion*

Notes to Consolidated Financial Statements

Note 7: Plan for Facilities Retirement and Disposition and Asset Redeployment— On October 23, 1970, the Board of Directors approved a plan for facilities retirement and disposition and asset redeployment with respect to certain principal facilities of the Paper Division's New Jersey operations. The aggregate losses and costs expected to be incurred in connection with the plan, less the related current and deferred tax benefits of $3,000,000 and $6,550,000, respectively, are shown as an extraordinary charge in the accompanying statement of consolidated income. The charge takes into effect the estimated proceeds (fair market or salvage value) to be received upon the retirement and disposition of the affected facilities and the estimated time considered necessary to effect an orderly execution of the plan. While it is not presently possible to determine the actual losses and costs to be incurred in connection with the plan, it is the opinion of management of the Company that adequate provision has been made in the accompanying financial statements for all amounts which may be reasonably anticipated at the present time.

The reserves created by the extraordinary charge, less actual costs incurred ($234,000) and losses on fixed asset retirements ($3,039,000) through January 3, 1971, are included in the accompanying consolidated balance sheet as a reduction of property, plant and equipment ($10,883,000) to the extent that they represent estimated losses on such assets, and as a liability reserve to the extent that they represent all other estimated costs and expenses expected to be incurred in connection with the plan. The income tax benefits relating to the amounts expected to be deductible for tax purposes in fiscal year 1970 have been applied against Federal and State income taxes currently payable, with the remainder applied as a reduction in deferred income taxes.

The net sales included in the accompanying statement of consolidated income relating to the facilities affected by the plan were approximately $33,000,000 for each of the years 1970 and 1969 and the resulting loss for 1970 and income for 1969 (after provision for income taxes but exclusive of charges for corporate expenses) approximated $100,000 and $800,000, respectively.

Note 8: Change in Accounting Practice— Prior to 1970, the Company expensed, as incurred, certain costs relating to its woodlands operations. Beginning in 1970, such costs are being capitalized and charged against current and future operations through provisions for depletion. The change in accounting practice decreased the net loss for the fiscal year ended January 3, 1971 by $456,000, or $.10 per common share.

To the Shareholders and Board of Directors of
Westvaco Corporation

We have examined the consolidated balance sheet of Westvaco Corporation as of October 31, 1970 and the related consolidated statements of income and retained income and source and disposition of working capital 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 more fully in Note I, the Company expects to phase out certain operations at two of its smaller paper mill locations. The costs to be incurred in this connection are not determinable at this time, and accordingly no provision therefor has been included in the accompanying consolidated financial statements.

In our opinion, subject to the effect, if any, of the matter noted in the preceding paragraph, the accompanying consolidated financial statements present fairly the financial position of Westvaco Corporation and its consolidated subsidiary companies at October 31, 1970, the results of their operations and the 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.—*Opinion of Independent Accountants.*

Notes to Financial Statements

Note I: Event Subsequent to End of Fiscal Year— The Company expects to announce in December 1970 its intention to shift, when practical to do so, the production of certain paper grades from its two older and smaller mills in Tyrone, Pennsylvania, and Mechanicville, New York, to the new Wickliffe mill. Accordingly, it is expected that operations at the Tyrone mill will be realigned and that operations at the Mechanicville mill will be gradually phased out, steps that will result in the mothballing of certain facilities in fiscal 1971, pending other use or disposition. Because it is not possible at this time to estimate reasonably the costs which may be incurred in this connection, no provision for such costs has been included in the accompanying financial statements.

Availability of Financing

To the Board of Directors and Stockholders
American Motors Corporation

We have examined the accompanying consolidated balance sheet of American Motors Corporation and consolidated subsidiaries as of September 30, 1970, and the related statement of operations, additional paid-in capital, and sources and applications 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, subject to the contingencies described in Note A, the consolidated financial statements referred

to above present fairly the financial position of American Motors Corporation and consolidated subsidiaries at September 30, 1970, and the results of their operations and the sources and applications of working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding years.—*Accountants' Report.*

Notes to Financial Statements

Note A: Operations—As indicated in the accompanying financial statements, the Company incurred a substantial operating loss for the year ended September 30, 1970. The financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern. The nature of the Company's future operations will depend upon its ability to operate profitably and on the availability of such financing as may be required (reference is made to Note D—Short-term Bank Borrowings). The Company operated profitably during October 1970.

The Company's agreements with the unions involved in passenger vehicle operations expired on October 16, 1970, and have been extended on a day-to-day basis, pending the negotiation of new contracts. The outcome of these negotiations will have an important effect on future operating results.

Note D: Short-term Bank Borrowings—Jeep Corporation, a wholly owned subsidiary, has a Credit Agreement which provides for maximum borrowings of $25,000,000 to December 31, 1970, with interest at ½ of 1% above the current prime rate. At September 30, 1970, $25,000,000 was outstanding under this Agreement, and accounts receivable and inventories which have a carrying amount of approximately $50,000,000 and certain other assets have been pledged as security for the borrowing. The Credit Agreement contains various restrictive covenants relating to maintenance of minimum levels of working capital and net worth, payment of dividends, additional indebtedness, and other matters. Management expects a renewal of this Agreement.

American Motors Corporation also has a Credit Agreement which provides for maximum borrowings of $25,000,000 to December 31, 1970. There were no borrowings under the American Motors Credit Agreement during the year, and the various restrictive covenants of this Agreement are such as to prevent borrowings thereunder after September 30, 1970. American Motors intends to enter into new financing arrangements.

The Board of Directors and Stockholders of

Twentieth Century-Fox Film Corporation:

We have examined the consolidated balance sheet of Twentieth Century-Fox Film Corporation and subsidiary companies as of December 26, 1970 and the related statements of operations, paid-in surplus, retained earnings (deficit) 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 indicated in Note 6 of notes to financial statements, the company has not complied with certain financial covenants required by its loan agreements, which events constitute defaults. The lenders have granted a succession of written and oral waivers of these defaults. If further waivers are not granted or the company does not otherwise obtain satisfactory loan refinancings or extensions, all debt covered by the loan agreements and indenture will become payable on demand.

In our opinion, subject to the company's obtaining further waivers of the events of default or otherwise obtaining satisfactory loan refinancings or extensions as described in the preceding paragraph, such financial statements present fairly the financial position of Twentieth Century-Fox Film Corporation and subsidiary companies at December 26, 1970 and the results of their operations and 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.—*Accountants' Report.*

Notes to Financial Statements

Note 6: Long-Term Debt (not including convertible debentures)—

	Shown On Balance Sheet as Current	Long-term
	(000 Omitted)	
Liability to banks under revolving credit agreement (a)	$53,000	$ --
Liability to banks under overdraft facilities (b)	6,655	--
Notes payable to insurance company (c)	2,960	16,490
	$62,615	$16,490

The various loan agreements contain restrictions and requirements including the maintenance of minimum net working capital, limitations on the amount of inventory and additional borrowing, restrictions on the sale of certain assets and the purchase of the company's stock, and the payment of cash dividends. Since June 1970 the company has been in default under various provisions of these loan agreements and the lenders have granted a succession of written and oral waivers of the defaults. As a condition for further waivers the lenders have requested a pledge of collateral for the loans. The company has agreed in principle to the pledge of the stock of certain of its principal subsidiaries and other assets. Additional repayments prior to maturity and other modifications of the loan agreements may also be required. If further waivers are not granted or the company does not otherwise obtain satisfactory loan refinancings or extensions, all debt covered by the loan agreements and indenture (note 7) will become payable on demand. Specific details of the loan agreements are as follows:

(a) The revolving credit agreement with various banks expires on September 30, 1971. Borrowings bear interest at ½ of 1% above the prime commercial rate. Notes outstanding at December 26, 1970 bear interest, payable in advance, at various rates from 7½% to 8%. These borrowings have been reduced by $8,000,000 through March 18, 1971.

(b) Under an agreement which is subject to Bank of England regulations and which expires July 31, 1971, the company may borrow under a Sterling and Euro-

dollar facility an amount not to exceed $10,080,000 with interest at varying rates. At December 26, 1970 interest on the Sterling loans was 9% and interest on the Eurodollar facility was 8½%.

(c) Under an agreement with an insurance company the company borrowed $25,000,000 ($15,000,000 at 7.25% and $10,000,000 at 6.85%). According to the terms of the agreement the company was required to make annual payments of $1,625,000 from 1974 through 1987 which would have repaid 91% of the borrowing prior to the maturity date of July 1, 1988. As a condition for waiving the defaults referred to above the company has repaid $5,550,000 through December 26, 1970 and in addition has paid $2,960,000 through March 18, 1971. Related to this agreement the company has issued warrants to purchase 158,000 shares of common stock at $36 per share. At December 26, 1970 none of these warrants have been exercised. Such warrants had been valued by the company's investment bankers at $11.50 per warrant (aggregating $1,817,000) and the value assigned has been included in deferred charges to be amortized over the period that the loan is outstanding.

Contingent Claims

The Board of Directors and Shareholders
The Budd Company

We have examined the consolidated balance sheet of The Budd Company and its consolidated domestic and Canadian subsidiaries as of December 31, 1970 and the related statement of earnings and the statement of 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.

In our opinion, subject to the outcome of the matters referred to in notes to financial statements under "Railway Division," the above mentioned financial statements present fairly the financial position of the The Budd Company and its consolidated domestic and Canadian subsidiaries at December 31, 1970 and the results of their operations 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.—*Accountants' Report.*

Notes to Financial Statements

Railway Division—The company completed in 1968 the production of fifty complex high-speed railcars for Penn Central Transportation Company, forty-nine of which were delivered to Penn Central in 1968 and 1969. Eleven similar cars were completed for Southeastern Pennsylvania Transportation Authority. At December 31, 1970, there was approximately $4,300,000 due but withheld by the customer on delivered and accepted cars. With respect to this amount, the company has instituted suit against Lease Financing Corporation, to whom the cars were sold, to recover substantially that amount. Penn Central Transportation Company, who is a joint and several obligor with Lease Financing under the contract on which suit has been brought, is in reorganization. The amount which may ultimately be recovered is uncertain at this time. In addition, there was approximately $4,900,000 held in inventory at December 31, 1970 representing the twelve cars not as yet accepted by the customers. Efforts are being made presently for the sale or lease of these completed cars to other parties. The above amounts are classified on the balance sheet as non-current assets, and the prior year's balance sheet has been restated.

As of December 31, 1970 the company had completed delivery of 476 complex high-speed commuter cars to the Metropolitan Transportation Authority for use on the Long Island Railroad. The remainder of the 620 car program is expected to be completed in 1971.

Each of these contracts involved new and complex propulsion and control systems as well as other new sub-systems purchased by the company from recognized industry suppliers. Performance deficiencies in certain of these systems, some of which have been corrected, and delays in the receipt of certain components have been experienced in these contracts.

The company may have substantial claims based upon deficiencies and delays from causes beyond its control which have caused unanticipated added cost and expense. The amount and merit of such claims and any claims or counter claims against the company for deficiencies or delays in delivery, if asserted, can not now be determined. While management believes it has provided for all anticipated identifiable losses with respect to completing these contracts, no reasonable prediction can be made as to the resolution of any potential claims and counterclaims the amounts of which could have a substantial effect on reported earnings for the years 1968, 1969 and 1970.

Divestiture

R.J. Reynolds Industries, Inc.,
Its Directors and Stockholders

We have examined the consolidated financial statements of R.J. Reynolds Industries, Inc. and consolidated subsidiaries for the two years ended December 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, 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, earnings retained, and source and disposition of funds present fairly the financial position of R.J. Reynolds Industries, Inc. and consolidated subsidiaries at December 31, 1970, and 1969, and the results of their operations, changes in stockholders' equity, and source and disposition of funds for each of the two years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Accountants.*

Notes to Consolidated Financial Statements

Note L: Divestiture of Penick and Ford, Limited—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 offering or distribution to the Company's common shareholders of Penick stock, or by sale of the stock or assets and business of Penick to an acceptable purchaser. However, the financial effects of the divestiture cannot now be determined because the method and terms of divestiture are as yet unknown.

At December 31, 1970, the Company's investment in Penick was approximately $79,316,000 of which approximately $30,800,000 represented cost in excess of net assets of businesses acquired. During 1970 Penick had net sales of approximately $62,582,000, and net earnings of approximately $1,325,000.

Auditors' Report Qualified as to Several Matters

Board of Directors and Stockholders
Sundstrand Corporation

We have examined the consolidated balance sheet of Sundstrand Corporation and Subsidiaries as of December 31, 1970, and the related consolidated statements of earnings and 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 have previously expressed an opinion, which was qualified as to the ultimate realization of the contract claim and settlement of the litigation referred to in notes C and D to the consolidated financial statements, on the consolidated financial statements of the company and its subsidiaries for the year ended December 31, 1969.

In our opinion, subject to any adjustments to the consolidated balance sheet and consolidated statement of retained earnings which may result from the ultimate disposition of the contract claim and settlement of the litigation referred to in notes C and D to the consolidated financial statements and subject to any adjustments which may result from the matters referred to in note J to the consolidated financial statements, the consolidated financial statements, referred to above, present fairly the consolidated financial position of Sundstrand Corporation and Subsidiaries at December 31, 1970, and the consolidated 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 except for the change, which we approve, in depreciation method as described in note E to the consolidated financial statements.—*Auditors' Opinion.*

February 4, 1971, except for note J, as to which the date is February 25, 1971.

Notes to Consolidated Financial Statements

Note C: Contract Claim—During 1969, Sundstrand substantially completed the development of an underwater propulsion system. Included in net sales of products in 1969 and long-term receivables in 1969 and 1970 is $6.6 million representing a claimed contract price adjustment for costs incurred under a 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 in cooperation 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 represents the cost of 223,190 shares (approximately 9.4 per cent) 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. The lawsuit is expected to go to trial early in 1971. In the opinion of management and counsel, Sundstrand has a valid claim. Current quoted market prices of SKI stock continue to be substantially less than cost, but even at these prices the sale of Sundstrand's SKI stock is not practicable.

Note J: Subsequent Event Contingency—Sundstrand is a subcontractor on various military and commercial equipment programs, including the L-1011 TriStar program, of Lockheed Aircraft Corporation. At December 31, 1970, accounts receivable, inventory costs and purchase commitments of approximately $17 million related to Sundstrand's participation in these various programs. Subsequent to December 31, 1970, Rolls-Royce Ltd., a supplier of jet aircraft engines for Lockheed's L-1011 TriStar, went into receivership. The effect, if any, of the Rolls-Royce Ltd. receivership on Lockheed's programs and Sundstrand's realization of all related costs is not presently determinable.

Note E: Fixed Assets—During the year Sundstrand changed its accounting for depreciation to the straight-line method for principally all remaining fixed assets that had been accounted for on accelerated methods. The effect of this change is to increase net earnings by $1,067,000 or $.20 per share.

CONSISTENCY QUALIFICATIONS AND RESTATEMENT REFERENCES

Thirty-two auditors' reports express a consistency qualification as to 35 matters and 34 auditors' reports mention, as to 39 matters, that the 1970 financial statements are consistent with those of 1969 as restated or revised to reflect an event occurring in 1970 which affected comparability. Table 6-9 summarizes the reasons for consistency qualifications or restatement references being expressed. Of the 34 auditors' reports containing a restatement reference, 24 relate to changes in the application of accounting principles, 8 relate to poolings of interests, and 2 relate to account reclassifications. Examples of consistency qualifications and restatement references expressed as a result of accounting changes follow.

Depreciation Methods

To the Stockholders and Directors of
Allied Chemical Corporation

We have examined the consolidated balance sheets of Allied Chemical Corporation as of December 31, 1970 and 1969, and the related consolidated statements of income and earnings reinvested and the consolidated statements of changes in working capital for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in the Note to the Financial Statements dealing with property, plant and equipment, the Company changed its principal method of computing depreciation effective January 1, 1970.

In our opinion, the accompanying consolidated financial statements examined by us present fairly the financial position of Allied Chemical Corporation and its consolidated subsidiaries at December 31, 1970 and 1969, the results of their operations and the changes in working capital for the years then ended, in conformity with generally accepted accounting principles consistently applied except for the change described above, which we approve.—*Opinion of Independent Accountants.*

Notes to Financial Statements

Property, Plant and Equipment (in part)—Property is stated at cost and consisted of the following:

	December 31 1970	December 31 1969
	(amounts in thousands)	
Land and land improvements	$70,025	$66,631
Oil and gas properties, mines and quarries	192,942	183,663
Machinery and equipment	1,562,845	1,491,643
Buildings	271,136	255,147
Office furniture	23,003	22,613
Transportation equipment	36,346	36,196
	2,156,296	2,055,893
Less-Accumulated depreciation, depletion and amortization	(1,239,767)	(1,152,462)
	$916,529	$903,431

Depreciation and amortization is computed for groups of assets using lives which range from 3 to 33 years. Effective January 1, 1970, the Company changed its principal method of computing depreciation for financial reporting purposes from the sum-of-the-years-digits to the straight-line method for new capital additions while continuing the former method for assets acquired prior to 1970. The accelerated method is being retained for tax purposes. The effect of this change in depreciation method was to increase net income for the year 1970 by approximately $875,000 (3 cents per share).

Garlock Inc.

Its Shareholders and Directors

We have examined the statements of consolidated financial position of Garlock Inc. and its consolidated subsidiaries as of December 27, 1970 and December 28, 1969 and the related statements of consolidated income and retained earnings and of consolidated source and disposition of working capital for the fifty-two week periods then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Garlock Inc. and its consolidated subsidiaries at December 27, 1970 and December 28, 1969 and the results of their operations and the source and disposition of working capital for the fifty-two week periods then ended, in conformity with generally accepted accounting principles applied (except for the change, which we approve, in depreciation method explained in Note 2 to the financial statements) on a consistent basis.—*Opinion of Independent Certified Public Accountants.*

Notes to Financial Statements

Note 2: The major classifications of property at cost were as follows:

	1970	1969
Land	$1,127,053	$837,437
Buildings and improvements	12,710,092	12,259,192
Machinery and equipment	29,123,559	26.549.905
Total	42,960,704	39,646,534
Less accumulated depreciation	21,801,095	20,670,956
Net property	$21,159,609	$18,975,578

Depreciation and amortization charged to operations were as follows:

1970—$1,801,429 1969—$2,235,762

Prior to 1970 depreciation for both financial and tax reporting was calculated using straight-line and accelerated methods. Effective in 1970 the Company began using a single method for financial reporting, straight-

TABLE 6-9: REFERENCES BY AUDITOR TO CONSISTENCY

Reason for Reference	1970	1969	1968
Consolidation policy	13		
Carrying basis of investments	9	12	22
Depreciation	12	27	33
Timing of expense recognition	11	12	2
Inventory valuation	5	7	6
Deferred taxes or investment credit	2	10	23
Acquisitions	8	6	13
Other	14	10	19
Total	74	84	118
Number of Auditors' Reports			
Basis of reporting not consistent with that of prior year:			
Accountant explicitly approves change	23	41	48
Accountant does not explicitly approve change	9	11	10
Subtotal	32	52	58
Consistent with prior year after restatement	34	21	37
No indication of lack of consistency in auditors' report	534	527	505
Total	600	600	600

line, while continuing to use more advantageous methods for tax reporting where practical. This change had the effect of increasing 1970 Net Income by $218,995 or $0.11 per common share.

To the Shareholders and Board of Directors of
International Minerals & Chemical Corporation

We have examined the accompanying consolidated balance sheet of International Minerals & Chemical Corporation at June 30, 1970 and the related consolidated statements of earnings (loss), retained earnings and 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. We have received the reports of other public accountants with respect to their examination of the financial statements of certain foreign subsidiaries whose assets and sales represent 4% and 10% of the respective consolidated totals.

In our opinion, based upon our examination and the reports of other public accountants referred to above, the statements mentioned above present fairly the consolidated financial position of International Minerals & Chemical Corporation at June 30, 1970 and the consolidated results of operations and the source and disposition of 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, except for the changes in depreciation method and actuarial cost method for pensions referred to in Notes 1 and 7, respectively.—*Auditors' Report.*

Notes to Consolidated Financial Statements

Note 1 (in part): Basis of Presentation— During fiscal 1970, the Corporation changed from straight-line to the unit-of-production method of depreciation for certain facilities and equipment of a Canadian subsidiary. This change increased fiscal 1970 net earnings by approximately $800,000.

Certain reclassifications have been made in the accompanying 1969 statements to conform to the 1970 presentation.

Note 7: Pension Plans— The Corporation has pension plans covering substantially all employees. Pension expense for fiscal 1970 was $2,420,000 ($2,280,000 in 1969), which includes amortization of unfunded prior service costs over various periods up to forty years. During fiscal 1970, the Corporation increased the benefits under certain plans. The related increase in pension costs ($800,000) was substantially offset by decreases in such costs attributable to a revision, 5% to 6%, in the assumed earnings on invested funds for certain plans ($278,000) and a change in the actuarial cost method for those plans ($537,000), with no income tax effect.

The unfunded portion of prior years' pension accruals of $1,737,000, which is included in other non-current liabilities at June 30, 1970, is being funded ratably over forty years. Unfunded prior service costs at June 30, 1970, based on actuarial estimates, approximated $11,500,000.

Consolidation Policy

Board of Directors and Shareholders
Evans Products Company

We have examined the accompanying balance sheet of Evans Products Company and Consolidated Subsidiaries and the combined balance sheet of the Company's Finance and Leasing Subsidiaries as of December 31, 1970, the related statements of earnings, shareholders' investment 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 financial statements referred to above present fairly the financial position of Evans Products Company and Consolidated Subsidiaries, and the combined financial position of the Company's Finance and Leasing Subsidiaries at December 31, 1970, and the respective 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 as restated (see Note 1 to the consolidated financial statements).—*Accountants' Report.*

Notes to Financial Statements

Note 1 (in part): Principles of Consolidation The financial statements include the accounts of the Company and its wholly-owned subsidiaries other than its finance and leasing subsidiaries. Beginning in 1970 the finance and leasing subsidiaries are included in separate combined financial statements on Pages 29 and 30. The investments in and advances to these subsidiaries are carried at equity in net assets in the balance sheet and their earnings are shown as earnings before taxes of unconsolidated subsidiaries in the statement of earnings. The consolidated financial statements for 1969 have been restated to conform to 1970 and this restatement had no effect on net earnings.

To the Stockholders and Board of Directors
Marcor, Inc.:

We have examined the balance sheets of Marcor Inc. (a Delaware Corporation) and consolidated subsidiaries as of January 31, 1971 and 1970, and the related statements of earnings, earnings reinvested 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 referred to above present fairly the financial position of Marcor Inc. and consolidated subsidiaries as of January 31, 1971 and 1970, 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 consistently applied during the periods after giving retroactive effect to the change in

accounting for the investment in Montgomery Ward Credit Corporation as explained in Note 2 to the financial statements.—*Auditors' Report.*

Notes to Financial Statements

Note 2 (in part): Principles of Consolidation—

The consolidated financial statements include the accounts of all merchandising, manufacturing and real estate subsidiaries. The Company's investments in subsidiaries not consolidated (principally Montgomery Ward Credit Corporation, Pioneer Trust & Savings Bank and Montgomery Ward Life Insurance Company) are accounted for on the equity method and accordingly the earnings of these subsidiaries are included in net earnings and earnings reinvested. At January 31, 1971 the original cost of these investments plus equity in undistributed net earnings since formation or acquisition was $206,539,000 and is included in Investments and Other Assets. Earnings before taxes on income of Montgomery Ward Credit Corporation have been reflected in the Statement of Earnings as a reduction of interest expense, and Earnings before taxes on income of the other subsidiaries which are accounted for on the equity method have been included in Operating, selling, administrative and research expenses. The Provision for Taxes on Income in the Statement of Earnings includes the income tax provision of all subsidiaries accounted for on the equity method. The consolidated financial statements issued in prior years included the accounts of Montgomery Ward Credit Corporation on a fully consolidated basis. For comparative purposes, the prior year's consolidated financial statements have been restated to reflect the equity method of accounting for the investment in Montgomery Ward Credit Corporation, and such restatement does not change the previously reported net earnings or earnings reinvested.

Administration Expenses

To the Shareholders and Board of Directors
Northrop Corporation

We have examined the statement of consolidated financial position of Northrop Corporation and subsidiaries as of July 31, 1970, and the related statements of consolidated income, shareholders' equity, and source and use of cash 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 confirm by direct correspondence amounts receivable from the U. S. Government and certain other major customers, but we satisfied ourselves as to such amounts by means of other auditing procedures. We previously made a similar examination for the preceding year.

In our opinion, the accompanying statements of financial position, income, shareholders' equity, and source and use of cash present fairly the consolidated financial position of Northrop Corporation and subsidiaries at July 31, 1970, and the consolidated results of their operations, changes in shareholders' equity, and source and use of cash for the year then ended, in conformity with generally accepted accounting principles which, except for the change (which we approve) in applying corporate office administrative expenses to contracts for commercial products as described in Note B to the financial statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Opinion.*

Notes to Consolidated Financial Statements

Note B: Inventories and change in accounting method— Fixed price contracts, orders, etc., in process are stated on the basis of accumulated costs, less the portion of such costs allocated to products delivered. Costs related to delivered products are based on the estimated total cost of the contract. Accumulated contract costs include administrative and general expenses except for corporate office administrative expenses applicable to commercial contracts as described below. It is not practicable to determine the amounts of administrative and general expenses included in inventory at the beginning and end of each year and the amounts charged against each year's income. Aggregate amounts of administrative and general expenses actually incurred in the years 1970 and 1969 were $72,400,000 and $73,200,000 respectively. Cost of raw materials, purchased parts, supplies, and finished products is determined under the first—in, first—out or average cost methods.

During fiscal year ended July 31, 1970, the Corporation changed its method of accounting for corporate office administrative expenses to provide that all such expenses applicable to commercial contracts be charged against income as incurred rather than to contracts in process. As a result of the change in accounting, net income for 1970 was reduced by $816,000 and primary earnings per share were decreased by $.17.

Title to substantially all inventories related to contracts with the U.S. Government is vested in the customer pursuant to the provisions of the contracts. Certain fixed—price contracts in process contain price redetermination and incentive provisions to which applicable recognition has been given in the financial statements.

Construction Type Contracts

To the Shareholders of
Cutler-Hammer, Inc.

We have examined the consolidated balance sheet of Cutler—Hammer, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1970, 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.

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, 1970, and the results of their operations and the source and application of funds for the year then ended, in conformity with generally accepted accounting prin-

ciples. Other than for the change described in Note 2 concerning the recognition of sales and costs on certain long-term contracts (in which we concur), in our opinion, the accounting principles were applied on a basis consistent with that of the preceding year.—*Auditors' Report.*

Notes to Consolidated Financial Statements

Note 2: Inventories— Inventories are stated at the lower of cost (approximately 70 per cent on the first-in, first-out basis and 30 per cent on last-in, first-out basis) or market.

With respect to long-term contracts, the Company recognizes income and costs as follows:

(a) On a percentage of completion basis (related to costs incurred) for cost plus contracts and multi-year fixed-price contracts of a very significant size.

(b) On a percentage of completion basis (related principally to shipments) for other fixed-price contracts.

The completed contract method is followed for income tax purposes and appropriate deferred taxes have been provided.

As discussed in the Shareholders Letter on page 1, the Company adopted in 1970 a policy, prevalent in the industry, to accrue income on multi-year fixed-price contracts of a very significant size on the percentage of completion basis related to cost incurred rather than shipments. As a result, $717,000 profit on these contracts is included in the after-tax income for the year 1970. Since the adoption of this policy would not have had a material impact on earnings for 1969, those results have not been restated in the accompanying statements.

To our Shareholders (Page 1):

In the past few years, the nature of the business at the Company's AIL Division has changed from being predominantly cost-type contracts, on which income is accrued as costs are incurred, to fixed-price contracts, on which income has been accrued as shipments are made. This has resulted in wide fluctuations in the income of the division since it is not unusual that on very large, multi-year fixed-price contracts more than a year will elapse, after start of work, before any shipments are made. In order to relate income more closely to effort and to eliminate distortion in reporting results of operations, the Company has, in 1970, adopted a policy to compute income on these large multi-year fixed-price contracts on the percentage of completion method based on costs incurred, which practice is common in the industry. This policy has been applied to two very substantial contracts and has resulted in the inclusion in 1970 of approximately $14,956,000 in sales and $717,000 or 21 cents per share, in after-tax income. Since the adoption of this policy would not have had a material impact on earnings for 1969, those results have not been restated in the accompanying statements.

Promotional Costs

To the Board of Directors and Stockholders of
Time Incorporated

We have examined the consolidated financial statements of Time Incorporated and subsidiaries for the year ended December 31, 1970. Our examination was made in accordance with generally 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, stockholders' equity and funds present fairly the consolidated financial position of Time Incorporated and subsidiaries at December 31, 1970, and the consolidated results of their operations, changes in stockholders' equity and sources and uses of funds for the year then ended, in conformity with generally accepted accounting principles, which, except for the change (in which we concur) in accounting for promotion costs as described in Notes to Financial Statements, have been applied on a basis consistent with that of the preceding year.—*Accountants' Report.*

Notes to Financial Statements

Changes in Accounting Policy and Practice

Promotion costs of book and record series have been expensed as incurred, although resultant revenues have been realized over a period of years. Retroactively to January 1, 1970, this accounting policy was changed to expense these costs over a 12-month period, beginning with the month in which they were incurred. The effect of this change was to increase net income in 1970 by approximately $200,000.

Other costs, such as state taxes, employees' profit sharing, bonuses and magazine direct mail expenses, relate directly to profit or revenue. The practice of expensing these costs as incurred or evenly during the year will be changed to expense them as the revenue is received or the profit earned. They will continue to be fully expensed in the year incurred, thus affecting only quarterly, not annual, results.

In the 1971 quarterly statements, the 1970 quarterly results will be restated as shown below to reflect these changes in policy and practice:

Income before extraordinary items—per share:

	1st	2nd	3rd	4th	Year
As reported	$.15	$1.41	$.03	$1.18	$2.76
As restated	.36	1.07	.28	1.05	2.76

The seasonal nature of the Company's business will continue to cause variations in quarterly earnings, but these changes will more accurately match costs with revenues and/or profit.

INTERMEDIATE PARAGRAPHS

Financial Statements and Books Differ

The Board of Directors and Shareholders
Detecto Scales, Inc.

We have examined the consolidated balance sheet of Detecto Scales, Inc. and Subsidiaries as at December 31, 1970 and the related consolidated statements of income (loss), 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.

Detecto Scales, Inc. has consistently followed the practice of not including all labor and overhead in inventories. However, the accompanying financial statements have been prepared on the basis of including these elements and providing for taxes on income applicable to such adjustments. The adjustment of inventories and the related taxes have not been recorded on the books of the Company.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of Detecto Scales, Inc. and Subsidiaries at December 31, 1970 and the consolidated 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.*

April 16, 1971
April 27, 1971 as to Note 6.

Notes to Consolidated Financial Statements

Note 2 (in part): Inventories—Inventories are stated at the lower of cost (first-in, first-out) or market. The Company has consistently followed the practice of not including all labor and overhead in determining costs. Total inventories, as recorded in the accounts, have been adjusted to include all labor and overhead costs, and to provide for taxes on income applicable to such adjustments. These adjustments have not been recorded on the books of the Company.

Note 6: Commitments and contingent liabilities—Minimum annual rentals under leases aggregate approximately $750,000 plus taxes, insurance and repairs in certain leases. These leases expire on various dates through 2001.

In connection with the acquisition of a subsidiary, additional consideration not to exceed $50,000, contingent upon net income, may become payable through 1971. No payments were required for 1970.

The Company is obligated in the amount of approximately $850,000 for equipment and improvements and under a lease for a new production, office and warehouse building for construction costs in excess of $2,950,000. At April 27, 1971 the Company's unconditional guarantee under a builder's loan and mortgage agreement was terminated.

Removal of Prior Years' Qualifications

To the Shareholders and Board of Directors
Maremont Corporation:

We have examined the consolidated balance sheet of Maremont Corporation (an Illinois Corporation) and subsidiaries as of December 31, 1970, 1969 and 1968, and the related consolidated statements of income, earnings retained in business and source and application 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. We have also made similar examinations of the balance sheet of Maremont Acceptance Corporation (a Delaware Corporation and a wholly owned finance subsidiary of Maremont Corporation) as of December 31, 1970, 1969 and 1968.

Our original auditors' reports covering the December 31, 1968 and 1969 financial statements were qualified for the outcome and effect of certain Federal Trade Commission proceedings. In December, 1970, the Company and the Federal Trade Commission agreed to a Consent Order. A provision for estimated costs and losses of $4,000,000, after estimated income tax credits of $3,600,000, in connection with the divestitures called for by the Consent Order has been reflected in the accompanying financial statements as an extraordinary charge in 1968, the year in which the Federal Trade Commission's action was initiated (see Note 3). The financial statements for the years 1968 and 1969 have been restated to reflect this provision. Accordingly, the qualifications in our reports on the financial statements for those years have been removed.

In our opinion, the accompanying consolidated financial statements of Maremont Corporation and subsidiaries present fairly their financial position as of December 31, 1970, 1969 and 1968, and the results of their operations and the source and application of funds for the years then ended, and the accompanying balance sheet of Maremont Acceptance Corporation presents fairly its financial position as of December 31, 1970, 1969 and 1968, all in conformity with generally accepted accounting principles applied on a consistent basis during the periods.—*Auditors' Report.*

REFERENCES TO OTHER STATEMENTS AND SCHEDULES

Table 6-10 shows that occasionally an auditors' report refers to schedules and statements other than the basic financial statements (balance sheet, statements of income and retained earnings, and, for fiscal periods ending after September 30, 1971, statement of changes in financial position). Table 6-10 shows also that in a very few instances an annual report will present both an auditors' report covering the financial statements and schedules of a company and an auditors' report covering a subsidiary or the company's pension plan. Examples of references to other schedules and statements and of separate auditors' reports for a subsidiary follow.

Auditors' Reports Refer to 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, 1970, the combined balance sheet of the Latin American subsidiaries of Anderson, Clayton & Co.

TABLE 6-10: REFERENCES TO OTHER STATEMENTS AND SCHEDULES

Auditors' Report Refers to:	1970	1969	1968
Financial statements of finance – related subsidiaries	27	25	22
Financial statements of other subsidiaries	4	5	7
Historical summary	5	5	5
Pro forma statements, etc.	4	4	2
Total	40	39	36
Separate Auditors' Report for:			
Financial statements of finance – related subsidiaries	5	6	5
Financial statements of other subsidiaries	2	4	7
Financial statements of pension fund, etc.	2	3	3
Total	9	13	15

as of June 30, 1970, and the related statements of income and retained earnings for the year then ended. We have also examined the balance sheet of Anderson Clayton Finance Corp. as of June 30, 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 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, 1970 and the results of their operations for the year then ended, and the financial position of Anderson Clayton Finance Corp. at June 30, 1970, 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
City Stores Company

We have examined the financial statements of City Stores Company ("Company") and subsidiaries (see Note A) as follows:

1. Statements of Financial Condition as at January 30, 1971 and January 31, 1970: Company and consolidated subsidiaries; Company and Retail Subsidiaries; and City Stores Credit Corporation,
2. Statements of Income and of Income Reinvested in Business for the fiscal years (52 weeks) ended January 30, 1971 and January 31, 1970: Company and consolidated subsidiaries; and City Stores Credit Corporation,
3. Statements of Source and Application of Funds for the fiscal years (52 weeks) ended January 30, 1971 and January 31, 1970: Company and consolidated subsidiaries; Company and Retail Subsidiaries; and City Stores Credit Corporation, and
4. Combined Summaries of Net Assets of unconsolidated real estate subsidiaries as at January 30, 1971 and 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 financial statements referred to above present fairly (1) the financial position of the Company and consolidated subsidiaries, of the Company and Retail Subsidiaries and of City Stores Credit Corporation at January 30, 1971 and January 31, 1970 and their sources and applications of funds for the fiscal years (52 weeks) then ended, and the results of operations of the Company and consolidated subsidiaries and of City Stores Credit Corporation for the fiscal years (52 weeks) then ended and (2) the combined net assets of the unconsolidated real estate subsidiaries at January 30, 1971 and January 31, 1970, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

Board of Directors and Shareholders
Fruehauf Corporation

We have examined the accompanying consolidated balance sheet of Fruehauf Corporation and consolidated subsidiaries as of December 31, 1970 and 1969, the related statements of net earnings, earnings retained for use in the business, additional paid-in capital, and working capital for the years then ended. We have also examined the accompanying balance sheet of Fruehauf Finance Company as of December 31, 1970 and 1969, and the related statement of net earnings and earnings retained for use in the business 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 financial statements referred to above present fairly the consolidated financial position of Fruehauf Corporation and consolidated subsidiaries and the financial position of Fruehauf Finance Company at December 31, 1970 and 1969, and the respective results of their operations and the source and application of working capital of Fruehauf Corporation, for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

The Board of Directors and Stockholders of
Pullman Incorporated

We have examined the accompanying balance sheet of Pullman Incorporated and consolidated subsidiaries at December 31, 1970 and the related statements of income and retained earnings and source and disposition of working capital for the year then ended. We have also examined the accompanying balance sheet of Pullman

Transport Leasing Company at December 31, 1970 and the related statements of income and source and disposition of working capital for the year then ended prepared on the basis described in Note 1 to the financial statements. 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 (a) the financial position of Pullman Incorporated and consolidated subsidiaries at December 31, 1970 and the results of their operations and source and disposition of their working capital for the year then ended, and (b) the financial position of Pullman Transport Leasing Company at December 31, 1970 and the results of its operations and source and disposition of its working capital for the year then ended, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after restatement of the 1969 financial statements of Pullman Incorporated as explained in Note 1 to such financial statements.—*Auditor's Report.*

Auditors' Reports Refer to Other Matters

To the Board of Directors and the Stockholders of
ACF Industries, Incorporated

In our opinion, the accompanying consolidated balance sheets, the related statements of consolidated income and retained earnings and the summary of changes in working capital present fairly the financial position of ACF Industries, Incorporated and its subsidiaries at December 31, 1969 and 1970, the results of their operations and the changes in working capital for the 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 examinations of these statements 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.—*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, 1970 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 Avco's unconsolidated finance subsidiaries at November 30, 1970 and of its unconsolidated insurance subsidiaries at December 31, 1970 and the related statements of earnings for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the resolution of uncertainties concerning the L-1011 TriStar jetliner program referred to in the Report of the Chairman and President, the statements mentioned above present fairly the consolidated and combined financial positions of Avco Corporation and of its unconsolidated finance subsidiaries at November 30, 1970 and of its unconsolidated insurance subsidiaries at December 31, 1970 and the results of operations 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. Further, in our opinion, the business line analysis in the Financial Review is fairly stated in all respects material to the consolidated and combined results of operations. —*Report of Certified Public Accountants.*

To the Directors and Shareholders of
General Host Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, changes in shareholders' equity, and source and application of funds present fairly the financial position of General Host Corporation and its subsidiaries at December 26, 1970, 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. 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 have also examined the pro forma consolidated balance sheet at December 26, 1970, which was prepared by adjusting the consolidated balance sheet of General Host Corporation at December 26, 1970 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.*

To the Stockholders and the Board of Directors of
J. C. Penney Company, Inc.

We have examined the balance sheet of J. C. Penney Company, Inc. and consolidated subsidiaries as of January 30, 1971 and the related statements of income, reinvested earnings and changes in working funds for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements together with the 1970 Review of Operations and Financial Information on pages 17 to 25 present fairly

the financial position of J. C. Penney Company, Inc. and consolidated subsidiaries at January 30, 1971 and the results of their operations and changes in working funds for the 52 weeks 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 statistical data on pages 29 to 31 present fairly the information shown therein.—*Accountants' Report.*

Separate Auditors' Reports on Subsidiaries or Other Matters

To the Trustees of the Pension Trust of
Bethlehem Steel Corporation and Subsidiary Companies:

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, 1970 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, 1970.—*Opinion of Independent Accountants.*

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, 1970 and 1969, and the related Statements of Income and Capital 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 financial statements referred to above present fairly the financial position of Allstate Insurance Company and consolidated subsidiaries at December 31, 1970 and 1969, and results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Certified Public Accountants.*

To the Shareholders,
The Sherwin—Williams Company of Canada, Limited, (Incorporated under the laws of Canada).

We have examined the consolidated balance sheet of The Sherwin—Williams Company of Canada, Limited and its subsidiaries as of August 31, 1970, 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.

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, 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.—*Accountants' Report.*

To the Board of Directors of
United States Steel and Carnegie Pension Fund:

In our opinion, the accompanying Statement of Assets, Statement of Changes During the Year and Summary of Investments present fairly the financial position of the combined pension trusts administered by United States Steel and Carnegie Pension Fund as trustee at December 31, 1970 and the changes therein 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 included confirmation of the cash and investments owned at December 31, 1970 by certificates obtained from the depositaries and custodians, or by inspection, and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Independent Auditors' Report.*

REFERENCE TO PRIOR YEAR EXAMINATIONS

Chapter 10 of *Statement on Auditing Procedure 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

TABLE 6-11: REFERENCES TO PRIOR YEAR EXAMINATIONS

Number of Companies	1970	1969	1968
No reference to prior year examination	335	410	407
Reference to prior year examination	260	185	188
Reference to historical summary	5	5	5
Total	600	600	600

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 references to prior year examinations follow.

Current Year and Prior Year Statements Examined by Same Auditors

To the Shareholders and Board of Directors
American Metal Climax, Inc.

We have examined the consolidated statement of financial position of American Metal Climax, Inc. and its Consolidated Subsidiaries as of December 31, 1970 and the related statement of current and retained earnings and the statement of sources and uses 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 year 1969.

In our opinion, the above—referred—to financial statements (pages 8—f and 12—f to 16—f) present fairly the consolidated financial position of American Metal Climax, Inc. and its Consolidated Subsidiaries at December 31, 1970 and 1969 and the results of their operations and sources and uses of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

To the Board of Directors and Shareholders
Food Fair Stores, Inc.

We have examined the consolidated statement of financial condition of Food Fair Stores, Inc. and Subsidiaries as at August 1, 1970 and the related consolidated statements of income, retained earnings and source and use of funds for the fifty—two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the Company and Subsidiaries for the fifty—three weeks ended May 3, 1969.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Food Fair Stores, Inc. and Subsidiaries at August 1, 1970 and May 3, 1969, and the results of their operations and the source and use of funds for the fifty—two week and fifty—three week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—

Monsanto Company

We have examined the accompanying consolidated financial statements (pages 12 through 19) of Monsanto Company and its subsidiary companies for the years ended December 31, 1970 and 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, 1970 and 1969 and the results of their operations and source and application of their funds for the years then ended, in conformity with generally accepted accounting principles consistently applied.— *Accountants' Opinion.*

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, 1971, the related 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 previously examined and reported upon the consolidated financial statements of the Company and its subsidiaries for the year ended January 31, 1970.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of J. J. Newberry Co. and Subsidiaries at January 31, 1971 and 1970, and the consolidated 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.*

Board of Directors and Shareholders
Supermarkets General Corporation

We have examined the accompanying consolidated balance sheet of Supermarkets General Corporation as of January 30, 1971 and January 31 1970 and the related consolidated statements of earnings, stockholders' equity, and source and application of funds for the years (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Supermarkets General Corporation at January 30, 1971 and January 31, 1970, and the consolidated results of its operations and source and application of funds for the years (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountants' Report.*

Current Year and Prior Year Statements Examined by Different Auditors

Board of Directors and Shareholders of
Borden. Inc.

We have examined the consolidated balance sheet of Borden, Inc. as of December 31, 1970 and the related consolidated statements of income stockholders' equity and source and application of funds 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 explained in Note 1 to the consolidated financial statements, the Company extended its consolidation practice in 1970 to include all significant foreign subsidiaries and adopted a policy of carrying investments in 50% owned companies at cost plus equity in undistributed income.

In our opinion, the accompanying consolidated financial statements examined by us present fairly the financial position of Borden, Inc. and its subsidiaries at December 31, 1970, the results of their operations and the source and application of funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the changes described above, which we approve.

The financial statements of Borden, Inc. for the year 1969 were examined by other independent accountants. – *Opinion of Independent Accountants.*

The Board of Directors and Stockholders
Chock Full O'Nuts Corporation

We have examined the consolidated balance sheet of Chock Full o' Nuts Corporation and subsidiaries as of July 31, 1970 and the related statements of income and retained earnings 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. The financial statements for July 31, 1969, included for comparative purposes, were examined by other certified public accountants.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and retained earnings present fairly the financial position of Chock Full o' Nuts Corporation and subsidiaries at July 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. Also, in our opinion, the statement of consolidated source and disposition of funds for the year ended July 31, 1970 presents fairly the information shown therein. – *Accountants' Report.*

NUMBER OF ACCOUNTING FIRMS

There are 69 certified public accounting firms represented among the 600 companies included in the current survey. This is a net decrease of three for the year 1970.

It was noted that 13 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-Fourth (1970) edition. Fifteen companies included in the 1970 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers from 716 to 730, 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 Incorporated—*see 33*	
	AMP Incorporated and Pamcor, Inc.—*see 49*	
	ASG Industries, Inc.—*see 40*	
1	Abbott Laboratories	12
	Aberdeen Manufacturing Corporation—*see 716*	
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
	Akzona Incorporated—*see 30*	
10	Alan Wood Steel Company	12
	Albertson's, Inc.—*see 603*	
11	Allegheny Ludlum Industries, Inc.	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
	American Beef Packers, Inc.—*see 717*	
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

Co. No.		*Month in which fiscal year ends
	American Electronic Laboratories, Inc.—*see 701*	
30	*Akzona Incorporated*	12
31	American Home Products Corporation	12
32	American Hospital Supply Corporation	12
33	*AMF Incorporated*	12
34	American Maize-Products Company	12
35	American Metal Climax, Inc.	12
36	American Motors Corporation	9
39	*American Standard Inc.*	12
40	*ASG Industries, Inc.*	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-Pittsburgh Corporation—*see 486*	
48	Ampex Corporation	4
49	*AMP Incorporated and Pamcor, Inc.*	12
	AMSTAR Corporation—*see 44*	
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

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
66	Ashland Oil, Inc.	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*	
76	Basic Incorporated	12
77	Bates Manufacturing Company, Incorporated	12
78	Bath Industries, Inc.	12
79	Bausch & Lomb Incorporated	12
80	Bayuk Cigars Incorporated	12
81	Beatrice Foods Co.	2
83	Beech Aircraft Corporation	9
	Belden Corporation—*see 610*	
84	*Squibb Corporation*	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*	
99	Bond Industries, Inc.	7
100	Borden, Inc.	12
101	Borg-Warner Corporation	12
102	Botany Industries, Inc.	7
	Bowne & Co., Inc.—*see 718*	
	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*	
	CSC, Inc.—*see 719*	
	Cadence Industries Corporation—*see 572*	
116	*Del Monte Corporation*	5

Co. No.		*Month in which fiscal year ends
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*	
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
	ConAgra, Inc.—*see 406*	
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	12
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	12
180	Cummins Engine Company, Inc.	12
183	Curtiss-Wright Corporation	12
184	Cutler-Hammer, Inc.	12
185	Cyclops Corporation	12
186	Dan River Inc.	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
	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*	
191	Diamond International Corporation	12
	Diamond Laboratories, Inc.—*see 720*	
	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
	Eaton Corporation—*see 208*	
208	Eaton, Yale & Towne, Inc.	12
	Electric Hose & Rubber Company—*see 617*	
210	*ESB Incorporated*	3
213	*ELTRA Corporation*	9
214	Emerson Electric Co.	9
215	Emhart Corporation	12
	Empire Gas Corporation—*see 721*	
	Engelhard Minerals & Chemicals Corporation—*see 659*	
	Essex International, Inc.—*see 722*	
	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
222	Fairchild Hiller Corporation	12
	Fairchild Industries Inc.—*see 222*	
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
	John Fluke Mfg. Co., Inc.—*see 723*	
231	*FMC Corporation*	12
	Food Fair Stores, Inc.—*see 618*	
232	Foote Mineral Company	12
233	Ford Motor Company	12

Co. No.		*Month in which fiscal year ends
	Foremost-McKesson, Inc.—*see 662*	
	Freeport Minerals Company—*see 235*	
235	Freeport Sulpher Company	12
236	Fruehauf Corporation	12
	GAF Corporation—*see 240*	
	Gamble-Skogmo, Inc.—*see 724*	
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*	
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*	
	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	*HCA Industries, Inc.*	10

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
284	Hazeltine Corporation	12
285	H. J. Heinz Company	4
	Helena Rubinstein, Inc.—*see 625*	
286	Hercules Incorporated	12
	Herff Jones Co.—*see 725*	
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*	
	HON Industries Inc.—*see 726*	
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, Inc.	12
309	International Business Machines Corporation	12
310	International Harvester Company	10
311	International Minerals & Chemical Corporation	6
	International Multifoods Corporation—*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 Processors, Inc.—*see 670*	
	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
320	Joslyn Mfg. and Supply Co.	12
321	Joy Manufacturing Company	9
322	Kaiser Aluminum & Chemical Corporation	12
	Kathol Petroleum, Inc.—*see 727*	
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
	Kinney National Service, Inc.—*see 728*	

Co. No.		*Month in which fiscal year ends
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
	Loew's Corporation—*see 705*	
	Loew's Theatres, Inc.—*see 705*	
346	Loft Candy Corporation	6
347	Lone Star Cement Corporation	12
	Lone Star Industries, Inc.—*see 347*	
	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*	
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
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

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
	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
	N L Industries Inc.—*see 400*	
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*	
	Ogden Corporation—*see 639*	
	Ohio Ferro-Alloys Corporation—*see 682*	
416	Olin Corporation	12
417	O'Sullivan Corporation	12
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*	
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

Co. No.		*Month in which fiscal year ends
430	Peoples Drug Stores, Incorporated	12
431	PepsiCo., Inc.	12
432	Pet Incorporated	3
	Pettibone Corporation—*see 684*	
433	Pfizer, 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
441	Pitney-Bowes, Inc.	12
443	*PPG Industries, Inc.*	12
445	The Pittston Company	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
	Pratt-Read Corporation—*see 713*	
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
	RayGo, Inc.—*see 729*	
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 Industries, Inc.	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*	
	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. Joe Minerals Corporation	12
481	St. Regis Paper Company	12
	Sav-A-Stop, Incorporated—*see 711*	
483	*SCM Corporation*	6
	Scope Industries—*see 730*	
484	Scott Paper Company	12
485	Scovill Manufacturing Company	12
486	*AMPCO-Pittsburgh Corporation*	12
487	Seaboard Allied Milling Corporation	5

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
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 Companies Inc.— *see 691*	
	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 Corporation— *see 84*	
513	A. E. Staley Manufacturing Company	9
	Stanadyne, Inc.— *see 522*	
514	Standard 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
521	Standard Pressed Steel Co.	12
	The Standard Register Company— *see 712*	
522	Stanadyne, Inc.	12
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
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

Co. No.		*Month in which fiscal year ends
539	Texas Gulf Sulphur Company	12
540	Texas Instruments Incorporated	12
541	Textron Inc.	12
543	Time Incorporated	12
544	The Timken 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	*Cadence Industries 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 Company	12
586	*Westinghouse Electric Corporation*	12
587	West Point-Pepperell, Inc.	8
	Westinghouse Electric Corporation—see 586	
588	Westvaco Corporation	10
589	Weyerhaeuser Company	12
590	Wheeling-Pittsburgh Steel Corporation	12
	Whirlpool Corporation—see 650	
	White Consolidated Industries, Inc.—see 698	
	Whittaker Corporation—see 699	
	Winn-Dixie Stores, Inc.—see 714	
	Winnebago Industries, Inc.—see 715	
594	F. W. Woolworth Co.	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
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	*United Brands Company*	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*	12
609	*Barton Brands, Inc.*	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.*	7
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
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*	1
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
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
665	*Gyrodyne Company of America, Inc.*	4
666	*Homasote Company*	12
667	*International Multifoods Corporation*	2
668	*International Telephone and Telegraph Corporation*	12
669	*Interphoto Corporation*	2
670	*Iowa Beef Processors, 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
682	*Ohio Ferro-Alloys Corporation*	12
683	*Penn Traffic Company*	1
684	*Pettibone Corporation*	3
685	*Potlatch Forests, Inc.*	12
686	*Richford Industries, Inc.*	12
687	*Russ Toggs, Inc.*	1
688	*Seton Company*	12
689	*Simkins Industries, Inc.*	9
690	*Spartans Industries, Inc.*	7
691	*Spencer Shoe Corporation*	5
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	*La Barge, 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

ADDED FOR 1971 EDITION

716	*Aberdeen Manufacturing Corporation*	12

*Months numbered in sequence, January through December.

Co. No.		*Month in which fiscal year ends
717	*American Beef Packers, Inc.*	5
718	*Bowne & Co., Inc.*	10
719	*CSC, Inc.*	5
720	*Diamond Laboratories, Inc.*	7
721	*Empire Gas Corporation*	6
722	*Essex International, Inc.*	12
723	*John Fluke Mfg. Co., Inc.*	9
724	*Gamble-Skogmo, Inc.*	1
725	*Herff Jones Co.*	6
726	*HON Industries Inc.*	12
727	*Kathol Petroleum, Inc.*	8
728	*Kinney National Service, Inc.*	9
729	*RayGo, Inc.*	10
730	*Scope Industries*	7

Companies Included in Twenty-Fourth Edition Not Included in this Edition of the Survey

24 American Bank Note Company
50 AMPCO Metal, Inc.
190 Detroit Steel Corporation
216 Endicott Johnson Corporation
319 Jones & Laughlin Steel Corporation
345 Lockheed Aircraft Corporation
422 Parke, Davis & Company
440 Piper Aircraft Corporation
446 Plough, Inc.
520 Standard Packaging Corporation
591 White Motor Corporation
633 Marlene Industries Corporation
664 Gwaltney, Incorporated
681 Occidental Petroleum Corporation
692 Stanley Home Products, Inc.

*Months numbered in sequence, January through December.

Subject Index

A

ABANDONMENTS, 216

ABNORMAL COSTS, *see* Estimated liabilities and reserves; Extraordinary items; Restatement of prior period statements; Write-downs; Write-offs

ACCOUNTANTS' REPORT, *see* Auditors' Reports

ACCOUNTING CHANGES, 17
- Actuarial cost method, 296
- Auditors' report refers to, 290, 295-298
- Capitalization of costs previously expensed, 17
- Consolidation policy, 10, 24, 28, 29, 82, 240, 241, 296
- Contracts, 297
- Depreciation method, 17, 295, 296
- Expensing of costs previously capitalized, 29, 297
- Full cost accounting, 238
- Inventories, 239
- Investments, 25, 48, 81-84, 239, 240
- Leases, 9
- Promotional costs, 298
- Undistributed earnings, 203

ACCOUNTING ESTIMATE CHANGES
- Actuarial assumptions, 18, 171, 172
- Useful life of depreciable assets, 18, 182

ACCOUNTING INTERPRETATION
- Stock compensation plans, 172

ACCOUNTING POLICIES DISCLOSED, 11-16

ACCOUNTING PRINCIPLES BOARD, REFERENCES TO:
- Opinions
  - No. 3—Funds statements, 255-274
  - No. 5—Leases, by lessee, 47, 114
  - No. 6—Foreign operations, 204
    - Property, plant, and equipment, 67
    - Treasury stock, 152
  - No. 7—Leases, by lessor, 225
  - No. 8—Pensions, 47, 167
  - No. 9—Discontinued operations, 214
    - Extraordinary items, 218
    - Foreign exchange adjustments, 207
    - Outstanding shares, 129
    - Prior period adjustments, 235
  - No. 10—Liquidation preference of preferred stock, 131
    - Unconsolidated domestic subsidiaries, 212
  - No. 11—Allocation of taxes, 10, 15, 48
    - Statement presentation of income taxes, 192
    - Undistributed earnings of subsidiaries, 202
  - No. 12—Allowances deducted from assets, 59
    - Capital changes, 244
    - Disclosure of depreciable assets, 67
    - Disclosure of depreciation, 176
  - No. 15—Capital structures, 122
    - Earnings per share, 48, 220
    - Stock dividends and splits, 230, 244
  - No. 16—Business combinations, 31
    - Costs of business combinations, 36
    - Poolings of interests, 31, 43
    - Purchases, 34
    - Restatements, 236
  - No. 17—Intangible assets, 90
  - No. 18—Equity method for investments, 48, 77, 212
  - No. 19—Changes in financial position, 255-274
  - No. 20—Accounting changes, 17, 236
  - No. 21—Imputed interest rates, 86, 105
    - Debt discount, 94

ACCOUNTING PRINCIPLES BOARD STATEMENTS
- No. 2—Disclosure by diversified companies, 18
- No. 3—Price level changes, 49
- No. 4—Definition of expenses, 159

ACCOUNTING RESEARCH BULLETINS, REFERENCES TO:
- Number 43
  - Chapter 2A Comparative statements, 4
  - Chapter 3A Cash surrender value of life insurance, 90
    - Current liabilities, 97
    - Marketable securites, 52
    - Receivables, 86
  - Chapter 4 Inventories, 60
  - Chapter 6 Appropriated retained earnings, 139
  - Chapter 7B Stock dividends, 230
    - Stock split-ups, 244
  - Chapter 8 Operating and nonoperating items, 161
  - Chapter 9 Depreciation accounting, 179
  - Chapter 11 Government contracts, 43
  - Chapter 11B Renegotiation, 197
  - Chapter 12 Foreign exchange, 204
  - Chapter 13B Stock option plans, 144
- Number 45 Long-term contracts, 209
- Number 46 Dated retained earnings, 139
- Number 50 Contingencies, 36
- Number 51 Consolidation of subsidiaries, 22

ACCOUNTING TERMINOLOGY BULLETINS, REFERENCES TO:
- Earned surplus, 139
- Opinion of auditor, 275
- Reserve, 59, 67, 122

ACCOUNTS PAYABLE, *see* Payables

ACCOUNTS RECEIVABLE, *see* Receivables

ACCUMULATED DEPRECIATION, *see* Depreciation

ACQUISITIONS, *see* Business combinations; Poolings of interests; Purchase method

ACTUARIAL VALUATIONS, *see* Pension and retirement plans

ADDITIONAL CAPITAL
Balance sheet title, 136-138
Charges, 252-254
Credits, 247-252
Statement of changes, 228, 229, 244, 247-254

ADJUSTMENTS, PRIOR PERIOD, *see* Restatement of prior period statements

ADMINISTRATIVE EXPENSES, 297

ADVANCES
Current assets, 67
Current liabilities, 105
Noncurrent assets, 88, 89

ADVERTISING EXPENSES, 160

AFFILIATED COMPANIES, *see* Investments

AGGREGATE NET INCOME, *see* Extraordinary items

ALLOCATION OF INCOME TAXES, *see* Inoome taxes

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, REFERENCES TO, 47-49
See—Accounting Principles Board Opinions; Accounting Research Bulletins; Accounting Principles Board Statements; Accounting Interpretation; Committee on Auditing Procedures

AMERICAN STOCK EXCHANGE
Listing of survey companies, 2

ANALYSIS OF WORKING CAPITAL ELEMENTS, 257, 258, 260, 263, 268, 271-274

APPLICATION OF FUNDS, *see* Statement of Changes in Financial Position

APPRECIATION OF PROPERTY, 67

APPROPRIATIONS AND RESERVES, *see* Estimated liabilities and reserves; Retained earnings

ARREARAGES
Cumulative preferred dividends, 232

ASSETS, DEPRECIABLE, *see* Property, plant, and equipment

ASSETS, INTANGIBLE, 90-94

ASSETS, PLEDGED, *see* Collateral

ASSOCIATED COMPANIES, *see* Investments

AUDITING PROCEDURES
Inventory observation, 278
Receivable confirmation, 278
See also—Committee on Auditing Procedure

AUDITING STANDARDS, 278

AUDITORS' REPORTS
Addressee, 276
Dating of opinion, 294, 299
Disclaimer of opinion, 283-285
Intermediate paragraphs, 286, 291, 292, 295, 298, 299, 304
Minor variations in report, 277
Number of accounting firms represented, 304
Piecemeal opinion, 283
Prior period examinations, 281, 302-304
Qualification of opinion, 283-298
Qualification removed, 299
Reference to other auditors, 279-282, 304
Reference to other statements and schedules, 299-302
Reference to restatement of prior year's statements, 281, 294-296, 301
Separate auditors' report for other matters, 300, 302
Short form, 276-278
Title of, 275

AVERAGE COST, 61

B

BACKLOG INFORMATION, 45

BAD DEBTS, 59

BALANCE SHEET
Comparative, 4
Form, 51
Reclassification, 8
Title, 51

BANK SUBSIDIARIES, 24, 78, 84

BANKERS ACCEPTANCES PAYABLE, 97

BASE STOCK ADJUSTMENT, 65

BONUS PAYMENTS, 173

BOOKS AND FINANCIAL STATEMENTS DIFFER, 298

BUSINESS COMBINATIONS, 31-36
Cost of, 36
See also—Consolidation of subsidiaries; Poolings of interests; Purchase method

C

CAPITAL CHANGES, *see* Additional capital; Common stock; Preferred stock

CAPITAL STOCK, *see* Common stock; Preferred stock

CAPITAL STRUCTURE, 122-129

CAPITAL SURPLUS, *see* Additional capital

CAPITAL, WORKING *see* Statement of Changes in Financial Position

CAPITALIZATION
Interest, 12, 165, 166
Leased property, 70, 114-116

CARRYBACK OF OPERATING LOSSES, *see* Income taxes

CARRYFORWARD OF OPERATING LOSSES, *see* Income taxes

CARVED-OUT PRODUCTION PAYMENTS, *see* Production payments

CASH
Current asset, 51, 52
Noncurrent asset, 88, 89

CASH FLOW, 270

CASH RESOURCES STATEMENT, *see* Statement of Changes in Financial Position

CASH SURRENDER VALUE OF LIFE INSURANCE, 90

CENTS OMITTED, 4

CERTIFICATES OF DEPOSIT, 52

CHANGES IN ACCOUNTING, *see* Accounting changes

CHARITABLE INSTITUTIONS,
Donations to, 186-189

CLAIMS FOR INCOME TAX REFUNDS, 54

CLASSIFICATION OF COMPANIES
Fiscal year endings, 2
Industrial groups, 1
Sales, 1
Stock exchanges on which traded, 2

COLLATERAL
Pledged on debt, 42, 58, 59, 97, 98

COMBINATIONS, *see* Business combinations

COMBINED STATEMENTS, 30

COMMITMENTS, 37
Inventory, 39, 79
Property, 39

COMMITTEE ON AUDITING PROCEDURE
Statements No. 33—Auditing standards, 278
Prior year examination, 302
Qualifications and disclaimers, 282
Short-form auditors' report, 276
No. 43—Confirmation of receivables, 278
Observation of inventories, 278
No. 45—Other auditors, 279, 280
No. 46—Piecemeal opinions, 283
No. 47—Subsequent events, 40

COMMON STOCK
Capital structure, 123-129
Conversion of debt, 40, 137
Public offering, 40, 252
Stock splits, 244-247
Tender offer, 40
Valuation, 129-131, 251, 253

COMPANIES SELECTED FOR SURVEY, 1

COMPARATIVE STATEMENTS, 5, 47
See also—Restatement of prior period statements

COMPENSATION, *see* Employees

COMPREHENSIVE ALLOCATION, *see* Deferred income tax

CONGLOMERATE COMPANIES, *see* Product line reporting

CONSISTENCY
Reference in auditors' reports, 290, 295-298

CONSOLIDATION OF SUBSIDIARIES
Change in policy, 10, 24, 28, 29, 82, 240, 241, 296
Consolidation policy, 22-30
Control, 29, 80
Deconsolidation—*see* Deconsolidation
Finance subsidiaries, 10, 23
Foreign subsidiaries, 24-28
Insurance subsidiaries, 23
Jointly owned facilities, 30
Leasing subsidiaries, 23
Real estate subsidiaries, 9, 29
See also—Foreign operations; Investments

CONSTRUCTION-TYPE CONTRACTS, 209, 210

CONTINGENCIES
Auditors' opinion qualified, 288-294
Contingent assets, 39, 40, 200
Contingent liabilities, 36-39, 57-59, 193, 197-201
Subsequent events, 294

CONTINUING OPERATIONS, see Discontinued operations

CONTRACTS
Advance payments, 104
Change in method, 297
Claims, 56, 293, 294
Construction-type, 209, 210
Government, see U.S. Government contracts
Rights to productive resources, 68
Television, 121
Timber cutting, 116, 163
Unearned income, 105

CONTRIBUTIONS
Charitable, 186-189

CORPORATE READJUSTMENTS
Dated retained earnings, 139
Quasi-reorganization, 243
Reorganization, 250

COST OF BUSINESS COMBINATIONS, 36

COST OF GOODS SOLD, 157

COST-PLUS-FIXED-FEE CONTRACTS, *see* U.S. Government contracts

COPYRIGHTS, 93

CREDITS AGAINST TAX, *see* Investment tax credit

CREDIT AGREEMENTS, 42, 106, 108, 111-114, 116

CURRENT AMOUNT OF LONG-TERM DEBT, 102

D

DATED RETAINED EARNINGS, 139

DEBENTURE STOCK, 132

DEBT
Collateral, 42, 58, 59, 97, 98
Conversion, 137
Credit agreements, 42, 106, 108, 111-114, 116
Current portion of long term debt, 102
Delayed delivery, 108
Interest capitalized, 12, 165, 166
Issued with stock warrants, 94, 95
Long term, 105-111
Profit on purchase of, 162
Refunding, 144
Short term, 97, 98
Subsequent event, 42, 107

DEBT DISCOUNT AND EXPENSE, 94

DECLINING-BALANCE DEPRECIATION, *see* Depreciation

DECONSOLIDATION
- Control relinquished, 80, 217
- Finance subsidiaries, 296
- Foreign subsidiaries, 286

DEFENSE CONTRACTS, *see* U.S. Government contracts

DEFERRED CHARGES, 94-97
See also—Prepaid expenses

DEFERRED COMPENSATION, 95, 119, 175

DEFERRED INCOME TAXES, 194
- Balance sheet presentation, 94, 118, 192
- Income statement presentation, 192
- Timing differences, 185, 186, 192-196

DEFICIT (in retained earnings), 141

DEPLETION
- Percentage, 189
- Unit of production method, 75, 183, 184

DEPOSITS
- Current assets, 67
- Current liabilities, 100, 103, 104
- Noncurrent assets, 88, 89

DEPRECIABLE ASSETS, *see* Property, plant and equipment

DEPRECIATION
- Accumulated, 67, 69-73
- Change in method, 17, 295, 296
- Expense, 73, 158, 176-179
- Expense applicable to discontinued operations, 68, 72, 180
- Methods, 14, 179-183
- Tax-return basis, 185-186
- Useful life of assets, 12, 18, 69, 71, 72, 74, 182-185

DESIGNATION OF FINAL FIGURE, INCOME STATEMENT, *see* Extraordinary items

DEVALUATION, 208

DEVELOPMENT COSTS
- Capitalized, 85, 95
- Operating expense, 158, 160

DIFFERENCES IN REPORTING TO SEC, 46

DIFFERENCES, TIMING, *see* Deferred income taxes

DISABILITY, *see* Pension and retirement plans

DISCLAIMER OF AUDITORS' OPINION, 283-285

DISCLOSURE OF ACCOUNTING POLICIES, 11-16

DISCONTINUED OPERATIONS
- Auditors' opinion qualified, 290, 291
- Carrying value of assets reduced, 76
- Depreciation expense, 68, 72, 180
- Income statement presentation, 214-217
- Income taxes, 190
- Lease obligations, 121, 220
- Liability for estimated costs, 104, 120
- Operating results disclosed, 76, 214-217
- Pollution standards, 187, 217
- Pooled companies, 164
- Receivable, 56

DISPOSITION OF ASSETS, *see* Gains or losses

DIVERSIFIED COMPANIES, *see* Product line reporting

DIVESTITURES
- Auditors' opinion qualified, 293

DIVIDENDS
- Arrears, 232
- Cash, 230
- In kind, 232
- Restrictions, 141-144
- Statement of Changes in Financial Position, 265
- Stock, 233-235, 245

DOLLARS IN THOUSANDS
- Hundreds omitted, 4

DONATIONS, CHARITABLE, 186

DOUBTFUL ACCOUNTS, 59

E

EARNED SURPLUS, *see* Retained earnings

EARNINGS, *see* Income

EARNINGS PER SHARE, 220-225

EARNINGS RETAINED, *see* Retained earnings

EDUCATION AID, 186

EMPLOYEES
- Agreement with union, 41
- Benefit plans, 167-176
- Employment agreement, 41
- Liabilities to or for, 99, 100, 119, 120
- Salaries, 159, 166
- Stock compensation plans, 172
- Stock option plans, 41, 144-150
- Stock purchase plans, 144, 145, 150, 151

See also—Pension and Retirement plans

ENVIRONMENT, *see* Pollution

EQUITY, *see* Investments

ESTIMATED LIABILITIES AND RESERVES
- Current liabilities, 104
- Difference in reporting to SEC, 47
- Discontinued operations, 76, 104
- Employee liabilities, 99, 100, 119, 120
- Foreign operations, 208
- Inventory reserves, 64
- Other estimated liabilities, 119-121
- Uncollectible accounts, 59

See also—Pensions and retirement plans

EXCESS OF COST OVER EQUITY, *see* Goodwill

EXCHANGES
- Survey companies listed, 2

EXCISE TAXES
- Auditors' opinion qualified, 290
- Presentation, 203, 204

EXPENSES
- Capitalization of costs previously expensed, 17
- Definition, 159
- Disclosure to SEC, 46

Expensing of costs previously capitalized, 29, 297
Nonoperating, 161-164
Operating, 159

EXPLORATION, *see* Oil producers

EXTRAORDINARY ITEMS
Devaluation of foreign currencies, 208
Discontinued operations, 214-217
Goodwill write off, 15
Nature of item, 218-220
Statement of Changes in Financial Position, 261

F

FEDERAL AND OTHER INCOME TAXES, *see* Depreciation; Extraordinary items; Income taxes; Restatement of prior period statements

FIFO, 61

50%-OWNED COMPANIES, *see* Investments

52-53 WEEK YEAR, 3

FINANCE SUBSIDIARIES
Consolidated, 10, 23
Interest paid to, 163, 164
Statements of referred to in auditors' report, 299, 300
Unconsolidated, 24, 79, 81, 84

FINANCIAL CONDITION, *see* Balance sheet

FINANCIAL PRESENTATIONS NOT COVERED BY AUDITORS' REPORT, 6-8

FINANCIAL STATEMENTS
Combined, 30
Comparative, 4
Differ from books, 298
Notes, 5

FINANCIAL SUMMARY
Highlights, 6-8
Historical summary, 6-8

FINISHED GOODS, *see* Inventory

FIRST-IN, FIRST-OUT, 61

FISCAL PERIODS
Appendix of 600 companies, 305
Change in, 2-4, 243
52-53 week fiscal year, 4
Months, 2

FIXED ASSETS, *see* Property, plant, and equipment

FLOW OF FUNDS ANALYSIS, *see* Statement of Changes in Financial Position

FOOTNOTES, *see* Notes to financial statements

FOREIGN OPERATIONS
Exchange adjustments, 207-209
Expropriation of assets, 220, 286
Foreign subsidiaries, 24-28, 82, 240, 241
Hedging, 209
Investment grants, 137, 138, 247
Operating results disclosed, 23-28, 207
Reserves, 208
Statements of foreign subsidiaries referred to in auditors' report, 299, 302
Translation of foreign currencies, 12, 204-206, 209
Undistributed earnings, 25, 202, 205, 206

FOUNDATIONS, 186

FRANCHISE, 93

FULL COST ACCOUNTING, 11, 74

FUNDS STATEMENT, *see* Statement of Changes in Financial Position

G

GAINS OR LOSSES
Disposition of assets, 162-164, 216-219
Extraordinary items, 214-226

GENERALLY ACCEPTED AUDITING STANDARDS, *see* Auditors' reports

GOING CONCERN, 263, 283-285, 292

GOODWILL
Noncurrent asset, 91-93
Write-off, 15

GOVERNMENT CONTRACTS, *see* U.S. Government contracts

GOVERNMENT SECURITIES, *see* Marketable securities

GRANTS, INVESTMENT, 137, 138, 247

GROSS PROFIT ON SALES
In income statement, 157

GROUP ANNUITY PLAN, *see* Pension and retirement plans

GUARANTEES
Debt of others, 38, 59, 116
Product, 10
Reclassification of tax effect, 10

H

HEDGING PROCEDURE
Foreign operations, 209
Inventory, 64

HIGHLIGHTS, 6-8

HISTORICAL SUMMARIES OF FINANCIAL DATA, 6-8
Auditors' report refers to, 301

HUNDREDS OMITTED, 4

I

INCENTIVE COMPENSATION, 173-176

INCOME
Nonoperating, 161-163

INCOME FROM FOREIGN OPERATIONS, *see* Foreign operations

INCOME RETAINED, *see* Retained earnings

INCOME PER SHARE, *see* Earnings per share

INCOME STATEMENT
Comparative, 4

Form, 156
Last section, 211-218
Reclassification, 8
Title, 155

INCOME TAXES
Assessments, 38, 43, 185, 193, 198-200, 238, 289
Auditors' opinion qualified, 289
Current liability, 101, 102
Deferred, *see* Deferred income taxes
Discontinued operations, 190
Effective tax rate, 186, 189-191, 195, 200
Exemptions, 191
Income statement presentation, 189-191
IRS examinations, 197-200
Operating loss carrybacks, 39, 40
Operating loss carryforwards, 40, 200, 219
Refund claims, 54
Timing differences, 185, 186, 192-196
Undistributed earnings of subsidiaries, 25, 202

INDEBTEDNESS, *see* Debt

INDUSTRY CLASSIFICATION
Classification of companies in survey 1
LIFO inventories, 62

INFLATION, 49

INSTALLMENT RECEIVABLES, 56

INSURANCE
Advances, deposits, and segregated cash or securities, 88
Cash surrender value of life insurance, 90

INSURANCE SUBSIDIARIES
Accounting practices, 48
Consolidated, 23
Statements of referred to in auditors' report, 301, 302
Unconsolidated, 12, 24, 79

INSURED PENSION PLANS, *see* Pension and retirement plans

INTANGIBLE ASSETS, 90-94

INTEREST, CAPITALIZED, 12, 165, 166

INTERESTS, POOLING OF, *see* Pooling of interests

INTERPERIOD TAX ALLOCATION, *see* Deferred income taxes

INVENTORY
Commitments, 39, 79
Cost basis (method), 60-64
Interest capitalized, 166
LIFO adjustment, 158
LIFO discontinued, 239
Market basis, 64
Observation, 278
Pricing basis, 60-64
Reserves, 64
Terminology, 60
U.S. Government contracts, 44, 45, 61

INVESTMENT GRANTS, 137, 138, 247

INVESTMENT TAX CREDIT
Methods, 189, 196, 198
Unused, 40, 197

INVESTMENTS
Auditors' opinion qualified, 286
Balance sheet presentation, 77-86, 202
Bank subsidiaries, 24
Control, 30, 80
Defense subsidiaries, 80
Disclosure to SEC, 47
Equity method adopted, 25, 48, 81-84, 239, 240
Finance subsidiaries, 24, 79, 81, 84
Income statement presentation, 212-214
Insurance subsidiaries, 12, 24, 79
Leasing subsidiaries, 12, 24, 81, 84
Operating results disclosed, 26, 81-84
Provision for decline in value, 164
Real estate subsidiaries, 24, 81, 84
Sale of, 216-220
See also—Consolidation of subsidiaries; Foreign operations; Marketable securities

J

JOINTLY-OWNED COMPANIES, *see* Consolidation of subsidiaries; Investments

L

LAND, 68, 85

LAST-IN, FIRST-OUT, 60-65, 158

LAST SECTION, of income statement, 211-218
See also—Extraordinary items

LAWSUITS, *see* Litigation

LEASEHOLD COSTS, 14, 94

LEASES
Discontinued operations, 121, 220
Lessees' financial statements, 70, 114-117
Lessors' financial statements, 69, 73, 225, 226
Subleases, 117
Subsequent event, 41

LEASING SUBSIDIARIES
Consolidated, 23
Statements of referred to in auditors' report, 300
Unconsolidated, 12, 24, 81, 84

LESSEES' FINANCIAL STATEMENTS, *see* Leases

LESSORS' FINANCIAL STATEMENTS, *see* Leases

LIFO, 60-65, 158

LIQUIDATION PREFERENCE
Preferred stock, 135, 136

LITIGATION
Auditors' opinion qualified, 288, 294
Contingencies, 36-38, 43
Expenses, 160
Settlement, 43, 220, 238

LOANS, *see* Debt

LONG-TERM CONSTRUCTION TYPE CONTRACTS, 209, 210

LONG-TERM DEBT, 105-111

LONG-TERM LEASES, *see* Leases
LONG-TERM LIABILITIES, 105-121
LONG-TERM RECEIVABLES, 86-88
LOSS CARRYBACKS, *see* Income taxes
LOSS CARRYFORWARDS, *see* Income taxes
LOSSES, *see* Operating losses
LOWER OF COST OR MARKET, *see* Inventories

M

MAINTENANCE AND REPAIRS, 16
MARKET
  Inventory, 64
  Marketable securities, 53
MARKETABLE SECURITIES
  Auditors' opinion qualified, 287
  Current asset, 52-54
  Noncurrent asset, 88, 89
MARKETING COSTS, 97
MERGERS, *see* Business combinations
MILLIONS, AMOUNTS TO NEAREST, 4
MINING COSTS, 74
MINORITY INTERESTS
  Balance sheet, 118
  Income statement, 211, 212
  Sale of subsidiary stock, 252
MISCELLANEOUS, *see* Other
MONTH
  Appendix of 600 companies, 313
  Fiscal year endings, 2
MULTIPLE STEP, *see* Income statement

N

NATURAL BUSINESS YEAR, *see* Fiscal periods
NET INCOME, *see* Income statement
NET INCOME PER SHARE, *see* Earnings per share
NET LOSS, *see* Operating losses
NEW YORK STOCK EXCHANGE
  Number of survey companies, 2
NONCANCELABLE LEASES, *see* Leases
NONCOMPETITIVE AGREEMENTS, 93
NONCURRENT RECEIVABLES, 86-88
NONRECURRING ITEMS, *see* Extraordinary items
NOTES PAYABLE, *see* Payables
NOTES RECEIVABLE, *see* Receivables
NOTES TO FINANCIAL STATEMENTS, 5

O

OBLIGATIONS, *see* Debt
OBSOLESCENCE, 75
OIL PRODUCERS
  Accounting policies, 11, 14, 16
  Exploration expense, 160
  Full cost accounting, 11, 74
  Production payment, 11, 15, 74
  Property, 14, 73-75, 182
OPERATING EXPENSES, 159, 160
OPERATING LOSS CARRYBACKS, *see* Income taxes
OPERATING LOSS CARRYFORWARDS, *see* Income taxes
OPERATING LOSSES
  Auditors' opinion qualified, 283, 291
  Discontinued operations, 214-217
  Earnings per share, 222
  Statement of changes in financial position, 263
  See also—Income taxes
OPERATIONS, *see* Income statement
OPERATIONS, FOREIGN, *see* Foreign operations
OPINION, *see* Auditors' reports
OPINIONS, APB, *see* Accounting Principles Board
OPTIONS, STOCK, *see* Employees
OTHER CHARGES AND CREDITS TO RETAINED EARNINGS AND ADDITIONAL CAPITAL, *see* Additional capital; Retained earnings
OTHER CHARGES TO INCOME, 162-164
OTHER INCOME, 162-164
OTHER INCOME TAXES, *see* Income taxes
OUTSTANDING SHARES, 129

P

PAID-IN CAPITAL, *see* Additional capital
PAR VALUE
  Changes, 251, 253
PATENTS, 16, 93, 94
PAYABLES
  Current, 98
  Noncurrent, 105-117
PENSION AND RETIREMENT PLANS
  Actuarial assumptions changed, 18
  Actuarial cost method changed, 296
  Deferred charges, 96
  Disclosure in financial statements, 167-172
  Expense, 160
  Liability re employees, 100
  Statements of covered by auditors' report, 302
PIECEMEAL AUDITORS' OPINION, 283
PLANT, *see* Property, plant and equipment
PLEDGED ASSETS, *see* Collateral

POLLUTION
Contingencies, 36, 37
Discontinued operations, 187, 217
Leased facilities, 111

POOLINGS OF INTERESTS
Business combinations, 31-36, 236
Discontinued operations, 164
Fiscal periods differ, 33, 242, 243
Interim periods, 33
Recision, 9
Subsequent events, 32, 42, 43

POST BALANCE SHEET DISCLOSURES, *see* Subsequent events

PREFERRED STOCK
Authorization eliminated, 124
Capital structure, 123-129
Debenture stock, 132
Dividends in arrears, 232
Liquidation preference, 135, 136
Redemption, 252
Valuation bases, 131-135

PREOPERATING, *see* Start-up costs

PREPAID EXPENSES
Current asset, 66
Noncurrent asset, 94
See also—Deferred charges

PRICE LEVEL INFORMATION, 49

PRICE REDETERMINATION, 38

PRIOR PERIOD ADJUSTMENTS, 238

PRIOR SERVICE COST, *see* Pension and retirement plans

PRIOR YEAR INCOME TAXES, *see* Income taxes

PRO FORMA FINANCIAL DATA
Auditors' report refers to, 301
Consolidation of subsidiary, 30
Poolings of interests, 32
Purchase method, 35

PRODUCT LINE REPORTING
Auditors' report refers to, 301
Profit information, 18-22
Sales information, 18-22

PRODUCTION PAYMENTS, 11, 15, 74, 105

PROFIT SHARING PLANS, 174

PROMOTIONAL COSTS, 298

PROPERTY, PLANT AND EQUIPMENT, 67-76
Auditors' opinion qualified, 287
Advances, deposits and segregated assets, 88
Commitments, 39
Disposition of, 42, 162-164, 216-219
Held for sale, 67, 96
Idle, 73
Interest capitalized, 12, 165, 166
Obsolescence, 75
Valuation allowances, 68

PURCHASE COMMITMENTS, *see* Commitments

PURCHASE METHOD
Allocation of cost, 10
Business combinations, 34, 35
Contingent consideration, 39, 92, 105, 121, 248, 254
Deferred credit, 120
Statement of Changes in Financial Position, 268

PURCHASE PLANS, STOCK, *see* Employees

Q

QUALIFIED OPINIONS
Conformity with generally accepted accounting principles, 287
Consistency, 290, 295-298
Disclaimer, 283-285
Piecemeal, 283
Removal of qualification, 299
Uncertainties, 286-294

QUASI-REORGANIZATIONS
Dated retained earnings, 139
Deficit eliminated, 243

R

RATIOS, PERCENTAGE
Stock dividends, and splits, 231, 245

RAW MATERIALS AND SUPPLIES, *see* Inventory

READJUSTMENTS, CORPORATE, *see* Corporate readjustments

REAL ESTATE SUBSIDIARIES
Consolidated, 9, 29
Statements of referred to in auditors' report, 300
Unconsolidated, 24, 81, 84

REAL PROPERTY, *see* Property, plant and equipment

RECEIVABLES
Confirmation, 278
Contingency, 37, 57-59
Current, 44, 54-59
Noncurrent, 86-88
Repayment terms, 96
Uncollectible accounts, 59
U.S. Government contracts, 44
Used for financing, 57-59
Write-off, 164

RECLASSIFICATIONS
Allocation of purchase cost, 10
Balance sheet, 8
Consolidation policy, 10, 24
Deconsolidation, 24, 80
Discontinued operations, 8, 215
Equity in subsidiary, 80
Exchange adjustment, 208
Extraordinary item, 208
Income statement, 8
Income taxes, 9, 10
Marketable securities, 54
Reasons, 8-10

REDEMPTION OF PREFERRED STOCK, 252

REIMBURSABLE COSTS, 45, 65, 66

RENEGOTIATION
Auditors' opinion qualified, 291
Contingencies, 197, 201

REORGANIZATIONS
Capital reorganization, 250
Dated retained earnings, 139
Deficit eliminated, 243

RESEARCH, *see* Development costs

RESERVES
Disclosure to SEC, 47
Discontinued operations, 76
Eliminated, 15
Foreign operations, 208
Inventory, 64
Use of term, 59, 67, 122

RESTATEMENT OF PRIOR PERIOD STATEMENTS
Accounting changes, 84, 238-241
Auditors' opinion refers to, 281, 294-296, 301
Poolings of Interests, 32-34, 236
Prior period adjustments, 238
Reasons, 8-10, 235-241
Reclassifications—*see* Reclassifications

RESTRICTIONS ON RETAINED EARNINGS, 141-144

RESULTS OF OPERATIONS, *see* Income statement

RETAIL INVENTORY METHOD, 63

RETAINED EARNINGS
Adjustments to opening balance, *see* Restatement of prior period statements
Appropriated, 123, 139-141
Balance sheet title, 139-141
Dated, 139
Direct charges and credits, 241-243
Dividends, *see* Dividends
Restriction, 141-144
Statement of changes, 227-231

RETIREMENT BENEFITS, *see* Pension and retirement plans

REVENUES
Income statement captions, 157
Product line distribution, 18-22
Revenue of survey companies, 1
Revenue recognition, 13

REVOLVING CREDIT AGREEMENTS, 106, 108, 111-114, 116

RIGHTS TO PRODUCTIVE RESOURCES, 68

ROUNDING OF AMOUNTS, 4

ROYALTIES, 162

S

SALARIES, *see* Employees

SALE-AND-LEASEBACK, *see* Long-term leases

SALES, *see* Revenues

SECURITIES, *see* Investments; Marketable securities

SECURITIES AND EXCHANGE COMMISSION
Differences in reporting, 46, 47

SEGMENT OF BUSINESS, *see* Product line reporting

SEGREGATION OF CASH AND MARKETABLE SECURITIES, 88

SHAREHOLDERS, *see* Stockholders

SHORT-TERM DEBT, 97, 98

SINGLE-STEP, *see* Income Statement

SOCIAL AWARENESS EXPENDITURES, 186-189

SOURCE AND USE OF WORKING CAPITAL, *see* Statement of Changes in Financial Position

SPECIAL ITEMS, *see* Extraordinary items

SPLIT-UPS, STOCK, *see* Stock splits

STANDARD COST, 63

STANDARDS OF REPORTING, *see* Auditors' Reports

START-UP COSTS
Accounting change, 29
Deferred, 97, 166
Expensed, 29

STATE AND LOCAL TAXES, *see* Income taxes

STATEMENT OF ADDITIONAL CAPITAL, 228, 229, 244

STATEMENT OF CHANGES IN FINANCIAL POSITION
Changes in working capital elements, 257, 258, 260, 263, 268, 271-274
Comparative, 4, 255
Form, 256-273
Order, 255
Title, 256

STATEMENT OF FINANCIAL POSITION, *see* Balance sheet

STATEMENT OF INCOME, *see* Income statement

STATEMENT OF RETAINED EARNINGS, 227-231, 247-254

STATEMENT OF STOCKHOLDERS' EQUITY, 227-230, 237, 245

STATEMENT ON AUDITING PROCEDURE, *see* Committee on Auditing Procedure

STOCK COMPENSATION PLANS, 172

STOCK DIVIDENDS, 233-235, 245

STOCK EXCHANGE
Listing of survey companies, 2

STOCK OPTION, *see* Employees

STOCK PURCHASE PLANS, *see* Employees

STOCK PURCHASE WARRANTS, 94, 95, 138, 249, 250

STOCK SPLITS, 244-247

STOCK, TREASURY, *see* Treasury stock

STOCKHOLDERS' EQUITY
Balance sheet title, 122
Statement of changes, 227-230, 237, 245
See also—Additional capital; Common stock; Preferred stock; Retained earnings; Treasury stock

STRIKE REFERENCES, 161

SUBSEQUENT EVENTS, 40-43
Agreement with union, 41
Assessments, 43
Contingencies, 43, 294
Conversion of debt, 40
Employment agreement, 41
Lease agreement, 41
Litigation settlement, 43
Loan agreement, 43, 107
Poolings of interests, 32, 42, 43
Public sale of stock, 40
Stock dividends, 231, 234, 245
Stock option plan adopted, 41
Tender offer, 40

SUBSIDIARIES, *see* Consolidation of subsidiaries; Foreign operations; Investments; Minority interests

SUMMARIES AND HIGHLIGHTS
Not covered by auditors' reports, 6-8

SUM-OF-THE-YEARS-DIGITS METHOD, *see* Depreciation

SUNDRY, *see* Other

SUPPLEMENTAL COMPENSATION, *see* Employees

SURPLUS, *see* Additional capital; Retained earnings

T

TELEVISION CONTRACTS
Deferred income, 121

THOUSANDS, AMOUNTS TO NEAREST, 4

TIMBER CUTTING CONTRACTS, 116, 163

TIMBERLAND, 184

TIMING DIFFERENCES, *see* Income taxes

TOOLS
Amortization, 160
Noncurrent asset, 69

TRADEMARKS, 93

TRADE CREDITORS, *see* Payables; Receivables

TREASURY STOCK
Balance sheet presentation, 152-154
Purchase of company's own stock, 124, 241, 242, 253
Sale of company's own stock, 242, 248

TRUST AGREEMENT, VOTING, 80

U

UNAMORTIZED DISCOUNTS, *see* Debt discount and expense

UNBILLED COSTS, 45, 65, 66

UNCOLLECTIBLE ACCOUNTS, 59

UNCONSOLIDATED SUBSIDIARIES, *see* Investments

UNDISTRIBUTED EARNINGS OF SUBSIDIARIES, 25, 202, 205, 206

UNFUNDED PENSION PLANS, *see* Pension and retirement plans

UNITED STATES GOVERNMENT CONTRACTS, 43-45
Inventories, 61
Price redetermination, 38
Receivables, 44
Renegotiation, 197, 201

UNITED STATES GOVERNMENT SECURITIES, *see* Marketable securities

V

VOTING TRUST AGREEMENT, 80

W

WAGES, *see* Employees

WAR AND DEFENSE CONTRACTS, *see* U.S. Government contracts

WARRANTIES, *see* Guarantees

WARRANTS TO PURCHASE STOCK, 94, 95, 138, 249, 250

WEEK
52-53 week fiscal year, 3

WORK IN PROCESS, *see* Inventory

WORKING CAPITAL
Changes in working capital elements, 257, 258, 260, 263, 268, 271-274
Restrictions on retained earnings, 141

WORKMEN'S COMPENSATION INSURANCE, *see* Estimated liabilities and reserves; Insurance

WRITE-DOWNS
Development costs, 95
Investments, 164
Marketable securities, 54
Property, 68, 76, 217

WRITE-OFFS
Goodwill, 15
Investments, 220
Property, 75
Receivables, 164

Y

YEAR ENDINGS, *see* Fiscal periods