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1973 Accounting Trends & Techniques

AICPA

Twenty-Seventh Edition 1973

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA

American Institute of Certified Public Accountants

AICPA

American Institute of Certified Public Accountants

Twenty-Seventh Edition 1973

Accounting Trends & Techniques

Twenty-Seventh 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, 1973.

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PREFACE

Accounting Trends and Techniques in Published Annual Reports—1973 is the Twenty-Seventh 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. To supplement Trends, the Technical Research Division of the American Institute of Certified Public Accountants will periodically make available publications of current interest dealing with some confined aspect of statement presentation.

Significant accounting trends, as revealed in the reports of the companies included in the survey, are presented in numerous comparative tabulations throughout the study. These tables show the current trends in corporate reports in such diverse accounting matters as the various types of financial statements presented, their form and terminology, and the accounting treatment afforded the transactions and items reflected in the statements. An industry classification of companies included in the survey is also presented. Due principally to mergers, the companies included in the survey change from year to year. Statistics for 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. 462 of the companies were listed in the twenty-first (1967) edition and each retains the number assigned in that edition. The other 138 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 755 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; Phyllis C. Johnson, CPA; John G. Pate, Jr., CPA; Pamela S. Roberts, CPA; and Hyman Muller for their assistance in the analysis of the financial reports and preparation of the manuscript.

D. R. Carmichael, Director, Technical Research
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTION

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

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

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

Opinion No. 18—*Equity Method of Accounting for Investments in Common Stock* (applies to reports covering fiscal periods ending December 31, 1972 or subsequent thereto):

Application of Equity Method	122-132, 300, 301, 362, 363
Goodwill Applicable to Investee	15, 123, 124
Summarized Financial Information of Investee	125-132

Opinion No. 19—*Reporting Changes in Financial Position* (applies to all reports included in survey):

Presentation of Extraordinary Items	328-330, 337, 342, 343, 347
Changes in Elements of Working Capital	324, 329, 346-348
Presentation of Business Combinations and Dispositions	340-342

Opinion No. 20—*Accounting Changes* (applies to reports covering fiscal periods ending July 31, 1972 or subsequent thereto):

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Opinion No. 21—*Interest on Receivables and Payables* (applies to all reports included in survey):

Discounting of Long Term Receivables and Payables	134, 155, 156, 166, 287
Presentation of Discount and Premium	27, 156, 160, 287

Opinion No. 22—*Disclosure of Accounting Polices* (applies to reports covering fiscal periods ending December 31, 1972 or subsequent thereto) 8-24

Opinion Nos. 23 and 24—*Accounting for Income Taxes* (apply to reports covering fiscal periods ending December 31, 1972 or subsequent thereto):

Tax Accrual on Undistributed Earnings	124, 169, 258-263, 302-304, 364, 365

Opinion No. 25--*Accounting for Stock Issued to Employees* (applies to reports covering fiscal periods ending after December 31, 1972):

Income Tax Benefits	290

Opinion No. 26—*Early Extinguishment of Debt* (applies to reports in the survey covering fiscal periods ending after December 31, 1972):

Gain or Loss from Early Extinguishment	207, 280, 370

Opinion No. 30—*Reporting the Results of Operations* (does not apply to reports included in survey; Opinion effective for events and transactions occurring after September 30, 1973):

Discontinued Operations	274

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	**1972**	**1971**	**1970**
Less than $100,000,000	128	137	136
Between $100,000,000 and $500,000,000	199	206	221
Between $500,000,000 and $1,000,000,000	107	108	102
Between $1,000,000,000 and $2,000,000,000	98	89	86
More than $2,000,000,000	68	60	55
Total Companies	**600**	**600**	**600**

TABLE 1-1: INDUSTRIAL GROUPS REPRESENTED

	1972	**1971**	**1970**	**1969**
Foods:				
Meat products	13	12	10	9
Dairy products	5	5	5	5
Canning, etc.	4	7	6	6
Packaged and bulk	21	17	18	17
Baking	5	5	4	4
Sugar, confections, etc.	7	7	8	8
Beverages	9	8	8	8
Tobacco products	8	8	8	8
Textiles	29	29	28	30
Paper products	16	16	18	19
Printing, publishing	6	6	5	5
Chemicals	26	30	29	28
Drugs, cosmetics, etc.	18	20	20	22
Petroleum	25	26	24	24
Rubber products, etc.	12	11	12	11
Shoes, – manufacturing, merchandising, etc.	8	8	8	9
Building:				
Cement	7	7	7	5
Roofing, wallboard	11	9	9	9
Heating, plumbing	7	6	6	6
Other	14	15	18	17
Steel and iron	23	20	21	24
Metal – nonferrous	16	14	15	9
Metal fabricating	15	13	14	14
Machinery, equipment and supplies	41	33	36	36
Electrical equipment, appliances	12	14	11	11
Electrical, electronic equipment	33	38	39	36
Business equipment and supplies	11	12	12	11
Containers – metal, glass, etc.	9	9	8	8
Autos and trucks (including parts, accessories)	22	23	21	22
Aircraft and equipment, aerospace	20	19	18	20
Railway equipment, shipbuilding, etc.	10	8	8	8
Controls, instruments, medical equipment, watches and clocks, etc.	13	11	7	6
Merchandising:				
Department stores	9	11	13	12
Mail order stores, variety stores	9	6	7	6
Grocery stores	20	19	20	21
Other	11	10	14	14
Motion pictures, broadcasting	5	6	5	5
Widely diversified, or not otherwise classified	70	82	80	87
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-3: WHERE STOCKS ARE TRADED

	1972	1971	1970	1969
New York Stock Exchange	472	475	478	476
American Stock Exchange	75	78	75	71
Over-the-Counter Market	46	38	38	44
Regional Stock Exchange only ..	7	9	9	9
Total Companies	**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.*

REPORTING PERIODS

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.

TABLE 1-4: MONTH OF FISCAL YEAR END

	1972	1971	1970	1969
January (*260,357,646,724)	24	24	23	22
February (*81,147,649,667)	12	13	12	12
March (*257,271,684,744)	18	18	18	18
April (*48,285,621,674)	5	6	6	7
May (*116,439,691,717)	12	11	11	9
June (*311,451,574,721)	35	36	37	35
July (*6, 137, 624, 730)	12	14	17	14
August (*128, 315, 680, 739)	18	19	18	17
September (*201, 580, 689, 723)	38	33	34	36
October (*22, 187,310, 468)	33	32	35	33
November (*71, 168, 204, 694)	13	13	12	12
Subtotal	**220**	**219**	**223**	**215**
December (*9, 95, 110)	380	381	377	385
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

A total of 380 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 1972 three companies changed the date of their fiscal year ending. Explanations and disclosures made by such companies follow.

ALBERTSON'S INC.

Consolidated Balance Sheet

Feb 3, 1973	*Apr 1, 1972*

Consolidated Earnings and Retained Earnings

53 Weeks ended Feb 3, 1973	52 Weeks ended Apr 1, 1972

Consolidated Changes in Financial Position

44 weeks ended Feb. 3, 1973	52 weeks ended Apr, 1, 1972

Notes to Consolidated Financial Statements

Change of Fiscal Year—The Company has changed its fiscal year to end on the Saturday nearest to January 31 rather than the Saturday nearest to March 31. Earnings are presented for the 53 weeks ended February 3, 1973, in order to present comparative information. The results for the 44 weeks ended February 3, 1973 were as follows:

Sales and other revenue	$589,300,936
Cost of sales	463,099,444
Operating and administrative expenses	113,721,272
Earnings before taxes on income	**12,480,220**
Federal and state taxes on income	6,012,793
Net Earnings	**$ 6,467,427**

Due to the fiscal year end change, the Company's 50% share of the income and expense of the Skaggs-Albertson's joint venture for the 52 weeks ended December 28, 1972 is all included in the 44 weeks ended February 3, 1973.

THE AMALGAMATED SUGAR COMPANY

Notes to Financial Statements

Note 1: Fiscal Year Change—Beginning October 1, 1971, the Company changed its fiscal year from September 30 to a 52 or 53 week period ending on the last Monday in September. The effect on results of operations of the shorter current year, October 1, 1971 to September 25, 1972, is not significant when compared with the prior year, October 1, 1970 to September 30, 1971.

SIMPLICITY PATTERN CO. INC.

Balance Sheet

January 31, 1973	December 31, 1971

Statement of Income & Earnings Retained in Business

Fiscal Year Ended	
January 31, 1973	December 31, 1971

Statement of Changes in Financial Position

Fiscal Year Ended	
Jan 31, 1973	Dec 31, 1971

Notes to the Financial Statements

Note 2: In 1972, the Company changed its fiscal year from December 31 to January 31. Results for the month of January 1972, which have been credited directly to earnings retained in the business, include sales $8,383,189, income before taxes $2,295,408, estimated income taxes $1,138,100 and net income $1,157,308 ($.09 per share).

TABLE 1-5: WEEKDAY SELECTED AS LAST DAY OF 52-53 WEEK YEAR

Weekday	**1972**	**1971**	**1970**	**1969**
Saturday (*496. 678. 724)	82	80	83	77
Sunday (*7. 249. 406)	24	22	22	25
Friday(*321. 642. 648)	3	3	2	2
Wednesday (*285. 331)	2	2	2	1
Monday (*20)	1	--	--	--
Total Companies	112	107	109	105
Basis of Determination				
Saturday or Sunday nearest end of month	66	55	61	57
Last Saturday or Sunday in month	37	33	34	35
Other or not determinable	9	19	14	13
Total Companies	112	107	109	105

*Refer to Company Appendix Section.

52-53 WEEK FISCAL YEAR

Table 1-5 shows that those survey companies using a 52-53 week year usually select the Saturday or Sunday nearest the end of the month as the last day of their fiscal year.

Several companies defined their fiscal year. Examples of such definitions follow.

EASTMAN KODAK COMPANY (DEC)

Notes to Financial Statements

Accounting Policies (in part): Fiscal Year—The fiscal year of the parent company and several major subsidiary companies customarily consists of 13 four-week periods for a total of 52 weeks. Once every five or six years an extra week is included in the fiscal year in order to keep the fiscal year in near alignment with the calendar year. In 1972 the parent company's fiscal year covered the 53 weeks ended December 31, 1972.

J. C. PENNEY COMPANY, INC. (JAN)

Summary of Accounting Polices

Definition of Fiscal Year—The Company's fiscal year ends on the last Saturday in January. Fiscal year 1972 ended January 27, 1973; fiscal year 1971 ended January 29, 1972. Each year comprised 52 weeks.

The accounts of several subsidiaries, including the insurance companies, are on the calendar year basis.

FINANCIAL STATEMENTS

COMPARATIVE STATEMENTS

Chapter 2, Section A of *Accounting Research Bulletin 43* 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 installment of what is essentially a continuous history.

Table 1-6 shows that practically all the survey companies now present comparative amounts for each financial statement included in their annual report. In 1962, 60 companies did not present comparative figures and an additional 80 companies presented comparative figures for some but not all of the financial statements included in their annual report. The noticeable increases for 1971 and 1970 in the number of companies presenting all financial statements on a comparative basis correspond to an SEC requirement that Form 10-K include comparative financial statements for fiscal periods ending after December 30, 1970.

TABLE 1-6: COMPARATIVE STATEMENTS

	1972	1971	1970	1969
All statements comparative	593	589	543	478
Statement of Changes in Financial Position not comparative ..	--	2	33	86
Statements showing stockholder equity accounts not comparative	7	9	24	36
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-7: ROUNDING OF AMOUNTS

	1972	1971	1970	1969
To nearest dollar	310	333	352	380
To nearest thousand dollars:				
Presenting 000 (*6.51.97)	155	159	159	148
Omitting 000 (*30.198.483)	125	100	83	65
To nearest million dollars (*88.385)	10	8	5	6
Showing cents	--	--	1	1
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

ROUNDING OF AMOUNTS

Table 1-7 shows a continuing increase in the number of survey companies presenting statement amounts in thousands of dollars—either by showing three zeros or by omitting the three zeros and stating amounts under a caption indicating *"thousands of dollars."*

NOTES TO FINANCIAL STATEMENTS

SEC Regulation S-X and pages 78, 79, 112, and 113 of *Statement on Auditing Standards No. 1* state the need for adequate disclosure in financial statements. Normally the financial statements alone cannot present all information necessary for adequate disclosure but must make reference to appended notes which disclose information of the sort listed below:

Changes in accounting principles.

Any material retroactive adjustments

Significant purchase commitments

Long-term lease agreements

Assets subject to lien

Preferred stock data—any callable, convertible, or preference features

Pension and retirement plans

Restrictions on the availability of retained earnings for cash dividend purposes

Contingent liabilities

Depreciation and depletion policies

Stock option or stock purchase plans

Consolidation policies

Business combinations

Computation of earnings per share

Subsequent events

Description of long-term debt

The SEC interprets its requirement for presenting comparative statements to mean that notes for both years must also be presented.

Table 1-8 summarizes the manner in which financial statements refer to notes and the nature of prior year's information disclosed. Notes on specific topics are illustrated in this book in the sections dealing with such topics. Examples of general references to notes and of notes concerning prior year's events and transactions follow.

TABLE 1-8: NOTES TO FINANCIAL STATEMENTS

Manner of Referral	**1972**	**1971**	**1970**	**1962**
General and Direct references (*116,460,605)	346	372	378	574
General reference only (*7,52,564)	207	184	164	
Direct reference only (*59,259,539)	42	39	52	
No reference to notes	5	5	6	6
No notes presented	--	--	--	20
Total Companies	**600**	**600**	**600**	**600**
Referral to Financial Review Section				
Note information only in financial review section	35	34		
Note information in financial review and designated note sections	8	28		
Total Companies	**43**	**62**		
Prior Year Information				
Extraordinary charge or credit	94	74		
Business Combination	76	61		
Accounting Change	25	12		
Other	21	22		

*Refer to Company Appendix Section.

General References To Notes

ALLIED STORES CORPORATION

See notes to consolidated financial statements on pages 10 to 12.

GOLDBLATT BROS., INC.

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

LEAR SIEGLER, INC.

The accompanying notes are an integral part of this statement.

MOLYBDENUM CORPORATION OF AMERICA

The notes to consolidated financial statements are an integral part of this statement.

NABISCO, INC.

(Financial statements should be read in conjunction with the statement of accounting policies on page 20 and notes to financial statements on pages 21 and 22.)

STANDARD OIL COMPANY (INDIANA)

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

Prior Year's Information

AMERICAN SMELTING AND REFINING COMPANY (DEC)

Notes to Financial Statements

Note 6: Stockholders' Equity— In 1971 the Company cancelled 2,078,921 shares of common stock thereby reducing the stated capital of the Company by $25,480,000, the amount at which the shares were carried in Common Stock. The cancelled shares had been reacquired in 1970 pursuant to an exchange offer, and carried as Treasury Stock at cost of $18,688,000. The difference of $6,792,000 has been credited to Additional Capital.

AMETEK, INC. (DEC)

Notes to Consolidated Financial Statements

Note 2: Acquisitions— On September 30, 1971, the Company purchased the outstanding capital stock of Schutte and Koerting Company (S & K) and on June 25, 1971, certain assets of a division of another corporation, for 52,000 shares of its common stock with a fair value of approximately $819,000, and $2,581,000 in cash and subordinated notes. Common shares (40,000) are held in escrow, subject to adjustment of purchase price under contract warranties; the anticipated adjustment is reflected in the accompanying financial statements. These acquisitions were accounted for as purchases in 1971 and accordingly the assets and liabilities were recorded at estimated fair values, and the results of operations were included in the consolidated financial statements from their respective dates of acquisition. Preacquisition net operating loss carryforwards of S & K of approximately $1,200,000 are available to offset future taxable income of S & K.

Had the acquisition of S & K been made at the beginning of 1971, consolidated sales, net income and net income per share on a pro forma basis in 1971 (after adjustments to reflect estimated fair value of the net assets acquired, interest expense and related income tax effect and the issuance of the 52,000 shares of common stock) would have been $144,175,000, $4,486,000 and $.87.

BELDING HEMINWAY COMPANY, INC. (DEC)

Notes to Financial Statements

Note B:—In December 1971, the Company acquired all of the capital stock of certain companies for $1,377,000. Payment was made by cash, notes and 49,000 shares of treasury stock; the excess ($650,000) of fair value of the stock over its cost was credited to Capital Surplus. The transaction has been accounted for as a purchase and the results of operations of the acquired companies are included from date of acquisition. The purchase price exceeded the amount of net assets acquired by $525,000, of which $335,000 was allocated to "Fixed Assets." The remainder of $190,000 was allocated to "Intangibles Applicable to Subsidiaries Acquired." The purchase agreement calls for the issuance of additional shares of Common Stock if earnings (as defined) are achieved in the five year period ending June 30, 1976. Through December 31, 1972, no additional shares were issuable. To the extent that additional shares are issued, the fair value thereof will be charged to "Intangibles Applicable to Subsidiaries Acquired."

DIAMOND SHAMROCK CORPORATION (DEC)

Financial Summary

Principles of Consolidation and Equity Accounting—In 1971, the Company extended the equity method of accounting to all its investments in common stock of affiliates owned over 20% and investments in corporate joint ventures. Under this method, the equity in earnings or losses in these companies is reflected currently in the Company's earnings rather than when realized through dividends. The Company's investments in all of these companies was adjusted in 1971 to reflect its equity in the underlying net assets of the companies, and the financial statements for prior years were restated to a comparable basis.

VELVET—O'DONNELL CORPORATION

Notes to Consolidated Financial Statements

Note 8: Public Offering-In October, 1971 the Company sold 100,000 shares of its common stock in a public offering at a price of $15 per share and also sold to the underwriter, for $100, warrants to purchase 10,000 additional shares of common stock (see Note 5). The proceeds from the above sales, less underwriting commissions of $150,000 and other expenses of the underwriting of $114,941 were credited to common stock in an amount equal to the par value of stock issued, $100,000 with the remaining $1,135,159 being credited to capital in excess of par value.

FINANCIAL PRESENTATIONS NOT COVERED BY AUDITORS' REPORT

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 following 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.

Ten 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 81, 214, 279, 462, and 668.

Examples Of Titles Used For Historical Summaries

ALLIED MILLS, INC.

Ten Years in Review

BRISTOL-MYERS COMPANY

Ten-Year Consolidated Financial Summary

THE EASTERN COMPANY

1963-1972 Summary

GETTY OIL COMPANY

Ten-Year Consolidated Financial Statistics

Ten-Year Consolidated Operating Statistics

HARNISCHFEGER CORPORATION

15 Year Comparison

INTERPHOTO CORPORATION

Five Year Financial Review

WHITTAKER CORPORATION

Highlights of Five Years' Operations

WINNEBAGO INDUSTRIES, INC.

Comparative Consolidated Financial Statistics

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

Frequently Used Significant Words in Title of Historical Summary	**1972**	**1971**	**1970**	**1967**
Summary	278	267	260	239
Financial	247	239	226	224
Review (or record)	123	120	115	132
Comparative (or comparison)	71	66	79	81
Statistics (or statistical)	60	56	58	58
Operations	41	45	45	N/C
Highlights	42	42	39	31
History (or historical)	20	24	21	17
Period Covered by Summary				
More than 10 years	24	25	24	21
10 years	318	314	326	374
5 years or more but less than 10	197	196	173	134
No historical summary presented	61	65	77	71
Total Companies	**600**	**600**	**600**	**600**
Information Furnished				
Balance sheet and operating data	487	495	487	496
Operating data only	52	40	36	33
No historical summary presented	61	65	77	71
Total Companies	**600**	**600**	**600**	**600**
Highlights of Operations– Title Used*				
Financial Highlights (*386, 707, 722)	254	251	232	201
Highlights (*10,135, 630)	93	95	101	193
Other titles using term "Highlights" (*49, 83. 485, 580, 618)	75	77	87	
The year in brief. results in brief. in brief. etc. (*60, 213, 275, 578, 750)	43	48	46	56
Other (*42, 111, 525, 632, 741)	67	62	62	80
No presentation of highlights	63	67	72	70
Total Companies	**600**	**600**	**600**	**600**

N/C– Not compiled.

*Refer to Company Appendix Section.

Examples Of Titles Used For Financial Highlights

THE BENDIX CORPORATION

Financial Profile

CITATION MANUFACTURING COMPANY, INC.

Year At A Glance

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Results in Brief

F. W. WOOLWORTH CO.

Consolidated Statistics in Brief

VEEDER INDUSTRIES INC.

Year in Brief

ACCOUNTING POLICIES

DISCLOSURE OF ACCOUNTING POLICIES

In *Opinion No. 22—Disclosure of Accounting Policies,* issued April 1972 and effective for fiscal periods beginning after December 31, 1971, the Accounting Principles Board "concludes that information about the accounting policies adopted by a reporting entity is essential for financial statement users. . . (and) should be included as an integral part of the financial statements." Guidelines as to the content and format of disclosures of accounting policies are also set forth in *Opinion No. 22.*

Five hundred-three survey companies, compared to 107 in 1971 and 26 in 1970, presented a summary of accounting policies. Of the 503 companies, 315 used the title *Summary of Significant Accounting Policies* or one similar to it and 467 presented such a summary either as a separate section immediately preceeding the notes to financial statements (68) or as the initial note (359). Table 1-10 shows the nature of information frequently disclosed in summaries of accounting policies.

Two companies also presented, in addition to a summary of accounting policies, a *Glossary of Financial Terms.* Examples of disclosures of accounting policies and the aforementioned glossaries follow.

TABLE 1-10: DISCLOSURE OF ACCOUNTING POLICIES

Policy	Number of Companies
Consolidation Basis	486
Depreciation Methods	482
Interperiod Tax Allocation	458
Inventory Pricing	426
Translation of Foreign Currencies	323
Property	314
Research and Development Cost	304
Employee Benefits	281
Amortization of Intangibles	259
Earnings Per Share Calculation	182
Revenue Recognition	121
Number of Companies	
Presenting a Summary of Significant Accounting Policies	503
Not Presenting Such a Summary	97
Total	**600**

ATLANTIC RICHFIELD COMPANY (DEC)

Accounting Policy

Atlantic Richfield's accounting policies in general conform to the predominant practices of major integrated petroleum companies and are based on generally accepted accounting principles. These are essentially unchanged from the prior year. Policies outlined here include all policies considered especially significant in the petroleum industry.

Principles of Consolidation—All subsidiaries have been fully consolidated including unincorporated joint ventures through which the Company conducts much of the exploration for and production of crude oil and natural gas. The Company uses the equity method of accounting for incorporated joint ventures (mainly pipelines), for affiliated companies owned 20% or more and for partnerships, except Sinclair-Koppers (50% owned) which has been fully consolidated since inception.

Segment Reporting—The Company reports sales revenues and sales volumes by product for both the U.S. and foreign markets. Worldwide the Company conducts vertically integrated petroleum and chemical operations. These are primarily successive and related, unitary in nature, directed toward serving the same markets. Current thinking in the accounting profession recognizes that vertically integrated operations, unitary in nature should not be fractionalized for reporting purposes. Certain chemical operations, not included in the unitary operations, contribute less than 10% to consolidated revenues or net income and, for this reason, are not reported separately.

Foreign Currency Translation—Current assets and liabilities recorded in foreign currencies have been translated into dollars at exchange rates prevailing at the dates of the statements of financial position. Noncurrent assets and liabilities recorded in foreign currencies have been translated at the exchange rates prevailing when acquired or incurred. Operations recorded in foreign currencies have been translated into dollars at monthly exchange rates with the exception of depreciation, which has been translated at the rates prevailing when the related assets were acquired.

Inventories—Inventories of crude oil are recorded when produced and together with inventories of products are valued at cost on a last-in, first-out basis. Inventories of materials and supplies are carried at or below cost.

Research and Development Costs—Research and development costs are generally charged to expense as incurred.

Income Taxes—In addition to charging income for taxes actually paid or payable, the Company provides income taxes deferred as a result of depreciation, amortization of undeveloped leasehold costs and other temporary differences in arriving at taxable income as contrasted with financial statement income. Deferred income taxes are not provided for factors whose deductibility now will not be offset in subsequent years, such as statutory depletion and intangible development costs.

Investment tax credits currently generated and those carried forward from prior years are reflected under the flow-through method in the income tax provision for taxes payable and deferred.

Retirement Plans—The Atlantic Richfield Retirement Plan covers substantially all employees. Pension costs, as determined by the aggregate actuarial cost method, are funded as accrued by payment into a trust which is kept apart from Company funds. The Plan recognizes unrealized portfolio appreciation or depreciation on a systematic and programmed comparison of market value with the carrying value of equities or total portfolio. The Plan is subject to an annual actuarial valuation.

Leasehold Costs—Undeveloped leasehold costs (primarily lease purchase costs or "bonuses" paid to state or national governments) are capitalized and amortized (charged to expense for financial statement purposes although generally not deductible for tax purposes until later) on a composite basis at rates based on past success experience and average lease life. In general, costs of leases surrendered or otherwise disposed of are charged to accumulated amortization. Costs of successful leases are transferred to developed properties (for amortization policy see Extinguishment of Producing Properties).

Exploratory and Development Costs—Costs of drilling exploratory wells are expensed as incurred, under the probabilities indicated by experience, but capitalized and credited to expense if the well proves to be productive. Costs of drilling development wells, under the expectation of productivity, are initially capitalized but charged to expense if the well is determined to be unproductive. In general other nonproductive exploratory costs, including geological and geophysical costs and lease rentals, are charged to expense as incurred.

Intangible Development Costs—Intangible development costs applicable to productive wells are capitalized and amortized on the unit-of-production method (for amortization policy see Extinguishment of Producing Properties).

Extinguishment of Producing Properties—Costs of productive acreage and wells, including intangibles, are charged to expense for financial statement purposes on the unit-of-production method based on the Company's estimate of recoverable oil and gas reserves for each operating/administrative unit in North America and each producing field abroad.

Other Fixed Assets—Other fixed assets are written off over the estimated lives of the assets on either a straight line or unit-of-production method. Rates under the straight line method are based upon the expected lives of individual plant items, or groups of plant items.

Disposal of Facilities—Upon disposal of facilities depreciated on an individual plant item basis, residual cost less salvage is reflected as a charge (or credit) against current income. Upon disposal of facilities depreciated on a group basis, unless unusual in nature or amount, cost less salvage is charged against accumulated depreciation.

Maintenance and Repairs—Maintenance and repairs are expensed except that occasional substantial renewals, which prolong the life of the facility beyond the date previously contemplated, are charged to accumulated depreciation; betterments are capitalized as plant additions.

Costs Related to Production Payments—Costs of producing oil and gas to satisfy production payments applicable to properties which the Company has acquired, together with initial cash payments, are capitalized as incurred and charged to expense over the projected production of the Company's portion of the related crude oil and gas reserves.

Natural Gas Revenue Subject to Refund—Sales of natural gas subject to refund are recorded as revenue only to the extent they are estimated to be free of possible refund.

Audit Committee of the Board of Directors—The Company has an Audit Committee of the Board of Directors comprised primarily of the outside directors. This committee meets at least three times per year to review internal control conditions, and internal and external audit plans and results.

Notes to Consolidated Financial Statements

Note 1: Accounting Policy—The Company's principal accounting policies are set forth on pages 28 and 29 of this report. The accounting policies cover the following significant areas: Principles of Consolidation; Segment Reporting; Foreign Currency Translation; Inventories; Research and Development Costs; Income Taxes; Retirement Plans; Leasehold Costs; Exploratory and Development Costs; Intangible Development Costs; Extinguishment of Producing Properties; Other Fixed Assets; Disposal of Facilities; Maintenance and Repairs; Costs Related to Production Payments; Natural Gas Revenue Subject to Refund and Audit Committee of the Board of Directors.

BAUSCH & LOMB INCORPORATED (DEC)

Accounting Policies

Consolidation—The consolidated financial statements include the accounts of all wholly owned domestic and foreign subsidiaries except those in South America. Intercompany accounts, transactions and profits are eliminated.

Translation of Foreign Currencies—The financial statements of consolidated subsidiaries operating outside the United States are translated into U.S. dollar equivalents at appropriate rates of exchange applied as follows: property, plant and equipment and related depreciation at historical rates of exchange; the remaining net assets at the rates of exchange in effect at the year end. Income and expense items, other than depreciation, are included in the consolidated statement of earnings on the basis of the applicable rates of exchange during the year. Translation gains and losses are reflected in the consolidated statement of earnings as they occur.

Undistributed Earnings of Subsidiaries—It has been the company's policy, which is expected to continue, to reinvest the net earnings of most subsidiaries for an indefinite period of time. U.S. and foreign income taxes are provided on earnings of subsidiary companies which are intended to be remitted to the parent company in the near future.

Investments—The investment in the South American companies is carried on the equity basis with their current operations included in earnings of the period. Other investments, carried at cost, are in domestic and foreign companies which are owned less than 50% and do not meet the criteria for accounting under the equity method.

Inventories—Inventories are valued at the lower of cost (current standard or actual) or market.

Properties, Depreciation and Amortization—Properties are recorded at cost and include improvements that significantly add to productive capacity or extend useful life. Costs of maintenance and repairs are charged to expense. Upon retirement or disposal of assets, the cost and related depreciation are removed from the accounts and gain or loss, if any, is reflected in the earnings for the period. Properties are removed from the accounts when they become fully depreciated. Depreciation, for financial reporting purposes, is provided on the straight-line method over the periods of estimated useful lives of the assets. Leasehold improvements are amortized over the periods of the leases.

Research and Development—Research and development costs are charged to expense as incurred.

Income Taxes—The company accounts for certain income and expense items differently for financial reporting purposes than for income tax purposes. Provisions for deferred taxes are being made in recognition of these timing differences. Investment tax credits realized at the time of property acquisitions are used to reduce applicable income taxes.

Retirement Plan—The company and its consolidated subsidiaries have several retirement plans covering substantially all employees, including certain employees in foreign countries. Retirement plan costs charged to expense include charges for current service and amortization of prior service cost over a 30-year period. The cost of retirement plans is funded when accrued. The retirement plan was amended in 1972 and the nature and effect of the amendments are disclosed in the notes.

Earnings Per Share—Net earnings per common and common equivalent share are based on the weighted average number of common and Class B common shares outstanding, adjusted for the assumed conversion of the outstanding convertible subordinated debentures at the beginning of the year, and the assumed conversion of dilutive stock options granted after May 31, 1969 at the beginning of the year or date of grant, whichever is later.

In computing the per share effect of assumed conversions (a) debenture interest, less the income tax effect, has 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 current market prices; and (c) the related net additional common shares have been included in the calculations of average common and common equivalent shares outstanding.

BAYUK CIGARS INCORPORATED (DEC)

Notes to the Financial Statements

Note 1:—A summary of the significant accounting policies followed by the company in the preparation of its consolidated financial statements is set forth below:

Basis of consolidation—The consolidated financial statements include the accounts of the company and its subsidiary companies, all of which are wholly owned. All significant intercompany transactions are eliminated.

Inventories—Inventories are stated at the lower of cost or market, cost being determined on an average or first-in, first-out basis.

Raw materials include tobacco in process of aging, a substantial amount of which will not be used or sold within one year. It is industry practice to include such inventories in current assets. Raw materials also include tobacco in bond which is subject to customs duties upon withdrawal from bond. Following industry practice, the company does not include such duties in inventories until paid.

Plant facilities—Land, buildings, machinery and equipment are carried at cost. Major additions and betterments are charged to the property accounts while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. When property is retired or otherwise disposed of, the cost of the property is removed from the asset account, accumulated depreciation is charged with an amount equivalent to the depreciation provided, and the difference, after taking into account salvage, if any, is charged or credited to income.

Installation costs of licensed cigar machines are capitalized and amortized, while the periodic rental expense for such machines, which is based on fixed rentals or on production, is expensed as incurred in line with industry practice. These licenses are terminable at any year end by the company on ninety days' notice.

Depreciation and amortization of plant facilities are computed over the estimated useful lives of the related assets by the straight line method for assets acquired in 1959 or prior and by the sum of the years-digits method for substantially all assets acquired thereafter for financial statement purposes and principally on accelerated methods for tax purposes. The amortization of cigar machine licenses is based on the straight-line method for financial statement and tax purposes.

Income taxes—Provision is made for deferred income taxes which result from certain items of income and expense which are reflected in these financial statements on different bases and periods than those used in the determination of income tax currently payable. These deferred taxes, even though they may not be expected to become payable within twelve months, are included in the current liability account since they relate principally to accounts included in current assets.

The investment tax credit is recorded by the flow-through method of accounting whereby, in the year available for utilization, it is applied as a reduction of income tax expense.

Research and development—These expenditures are charged to income as incurred.

Employee retirement plans—In each year, the company fully provides and funds retirement benefits for salaried employees under an insured retirement annuity plan and a supplemental benefits plan.

Earnings per share—Earnings per share of common stock is based on the weighted average shares of common stock outstanding during each year. Through December 31, 1972 common stock equivalents have had no material dilutive effect on earnings per share.

BELL & HOWELL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note A: Significant Accounting Policies:

Principles of Consolidation—The consolidated financial statements include all subsidiaries. The accounts of foreign subsidiaries are translated into U.S. dollar equivalents based on appropriate rates of exchange. Assets and liabilities are translated at exchange rates prevailing at year end, except for certain net property, plant and equipment which are translated at historical rates. Foreign exchange gains and losses are immaterial and are included in operating earnings except for the gain in 1971 described in Note G.

Revenue Recognition—Sales of products and services are recorded based on shipments of product or performance of services. Revenues from service contracts are deferred and are recognized in income on a pro rata basis over the period of the service agreement. Accounting for revenues from schools is described in the following paragraph.

Schools' Accounting—Tuition for resident school courses is recognized pro rata over each school quarter and all costs are expensed currently. Tuition for home study courses is recorded at the time the contract is accepted in an amount equal to the course price, less a statistically determined provision (averaging 33% for 1972) for refunds, cancellations and bad debts; all future service costs including costs for lessons, kits, grading, etc., are accrued; the portion (53% for 1972) of the resulting income applicable to the future service is deferred and returned to income on the basis of lessons completed by the students. Course development costs and marketing expenses for both resident schools and home study courses are expensed in the year incurred.

Research and Product Development Expenditures—All research and substantially all product development expenditures and tooling are expensed as incurred. A limited portion of those product development expenditures, related to the replacement of an established product or the development of a new product which will expand a present product line, are deferred and charged to income over a maximum of three years following product introduction. In addition, expenditures of a similar nature which are specifically covered by contracts are inventoried and billed to customers.

Income Taxes—Taxes are provided for all items included in the statement of income regardless of the period when such items will be reported for tax purposes. The principal items that result in timing differences for financial and tax reporting purposes are cash basis tax reporting for schools' operations, accruals for estimated expenses, and income recognition on installment sales contracts. Additional income taxes, estimated to be payable upon distribution of the earnings of foreign subsidiaries, and the deferred taxes arising from the earnings of the Company's Domestic International Sales Corporation (DISC), are also provided currently. In addition, the Company defers investment tax credits earned over the approximate useful lives of the acquired assets.

Earnings per Common Share—Earnings per share data is based on average Common Shares outstanding and Common Share equivalents, and reflects the full dilution resulting from convertible notes, Preferred Shares and stock options.

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

Property and Depreciation—Property, plant and equipment is recorded at cost, and generally the double declining balance method of computing depreciation has been applied for both income tax and financial reporting purposes. Upon sale or retirement of depreciable properties, the related cost and accumulated depreciation are removed from the accounts and any resultant gain or loss is reflected in earnings.

Incentive Stock Plans—Proceeds from the sale of Common Shares issued under stock options granted are credited to Common Shares at the time the option is exercised, and no charge is made against earnings with respect to stock options. The value of restricted stock (which was issued in prior years) is charged to operations over periods ranging up to 10 years dependent upon the restrictions related to stock.

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 1: Significant accounting policies are summarized as follows:

Basis of Consolidation—The consolidated financial statements include all subsidiaries except BLI Mortgage Company. Investments in affiliates and BLI Mortgage Company are stated at cost plus equity in undistributed earnings since acquisition. Separate financial statements for BLI Mortgage Company are not included in this report because they are not significant.

Depreciation—Depreciation is calculated principally on the straight-line method.

Intangible Assets Arising from Acquisitions—Such intangible assets arising since October 31, 1970, in the amount of $947,000, are being amortized over 40 years. The remaining intangible assets of $4,842,800 are not being amortized.

Inventories—Inventories are stated principally at the lower of average cost or market.

Income Taxes—The provision for income taxes is the estimated amount of income taxes payable currently and in the future on earnings for the year. Taxes deferred, due mainly to the use of accelerated depreciation for tax purposes, are classified as a non-current liability.

The reduction in Federal income taxes resulting from the investment tax credit on new property and equipment is reflected in the statement of income currently.

Pension Plans—The provision charged to earnings each year covers normal costs and interest on prior service costs. The Company's policy normally is to fund pension costs.

Earnings Per Share—Net income per share is computed using the weighted average number of shares of common stock outstanding during the respective years. Fully diluted net income per share is computed using the shares included in the net income per share calculation and assuming conversion of the Company's convertible subordinated debentures as of the beginning of the year.

Realty Operations—The Company's realty operations differ from its other operations in that they carry a higher ratio of debt to investment and have a business cycle extending over several years. Accordingly, all the assets and liabilities of these operations are presented under separate Realty captions.

Realty sales are not recorded until the buyer has a significant and continuing cash equity in the property. Real estate taxes, interest expenses and development cost applicable to land are capitalized as part of the cost of the land. Costs are allocated to the various parcels of individual projects based upon the area or relative value method, whichever most equitably reflects such costs.

CENTRAL SOYA COMPANY, INC. (AUG)

Statement of Accounting Policies

In its reports and presentations, Central Soya consistently employs those accounting practices and policies which it believes most realistically portray results of operations. The significant practices and policies followed are discussed below.

Consolidation and foreign currency translation policy—All domestic and foreign subsidiaries are consolidated after eliminating material intercompany accounts and transactions. In general, accounts of foreign subsidiaries are maintained in foreign currencies. These accounts have been translated to U.S. dollars at rates of exchange in effect at the balance sheet dates as to current assets and liabilities and at appropriate historical rates as to the remaining accounts. Statements of earnings have been translated at the approximate average rate of exchange in effect during the period covered. Unrealized translation gains and losses (not significant in amount) are included in results of operations.

Business combinations—The net assets and results of operations of those businesses which were acquired in fiscal 1972 in exchange for Central Soya capital stock and qualified as poolings of interests, are included in the financial statements as if they had always been subsidiaries. Accordingly, prior years' financial data has been restated.

The net assets of those businesses acquired which were accounted for as a purchase are recorded at their fair value at the acquisition date and the financial statements include the results of their operations only from that date. Costs in excess of the net assets of purchased subsidiaries are amortized equally over a 15 year period.

Inventory valuation—Grain, soybeans and soybean oil and soybean meal are valued at market adjusted for hedges and undelivered contracts. The policy of hedging the grain and soybean position is followed to minimize the risk arising from market fluctuations. Feeds, special soybean products and poultry are valued at processed cost and other items of inventory are valued principally at the lower of first-in, first-out costs or market.

Plant and Equipment— Plant and equipment are depreciated on a straight line basis over their estimated useful lives which, as to buildings and storage facilities, range from 10 to 40 years and, as to machinery and equipment, range principally from 10 to 15 years.

Mantenance, repairs and minor renewals are charged to expense as incurred. Major renewals and betterments are capitalized. When depreciable assets are retired or otherwise disposed of, the cost and related allowance for depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings.

Deferred income taxes—For income tax purposes, accelerated methods of depreciation are used and appropriate provision is made to give effect to the resulting deferred income taxes. Depreciation represents the most significant difference between accounting and taxable income.

Investment tax credits—Investment tax credits are recorded as a reduction of income tax expense in the year that the related assets are placed in service.

Undistributed earnings of subsidiaries—Provisions are made for foreign or federal income taxes relating to undistributed earnings of subsidiaries which are not considered to be permanently invested or which will not be realized in a tax free transaction.

Pension costs—Pension costs, which are funded as accrued, are provided annually in amounts equal to current service costs, interest on unfunded past service costs and an amount sufficient to amortize past service cost over a thirty year period. Costs are computed on the entry age normal method with a frozen initial liability.

CHERRY-BURRELL CORPORATION (OCT)

Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of Cherry-Burrell Corporation and its subsidiaries. All intercompany accounts and transactions are eliminated in the preparation of the consolidated financial statements. With respect to Canadian and European subsidiaries, current assets, current liabilities and long-term debt are translated into U.S. dollars at the rates of exchange in effect at the end of the year. Property and equity are translated at historic rates. Income and expense accounts are translated at average exchange rates in effect during the year.

Inventories—Inventories are stated at the lower of cost or market value. Cost is determined generally on a first-in, first-out basis. Provisions are made to reduce obsolete and slow-moving inventory to net realizable value.

Properties, Equipment and Related Depreciation—Property, plant and equipment (including major renewals and improvements) are recorded at cost. Depreciation is provided using the straight line method for financial reporting purposes and accelerated methods for tax purposes. When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts, and any profit or loss on disposition is recognized currently. Maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently.

Deferred and Prepaid Income Taxes—The company follows the practice of providing income taxes based on income reported for financial statement purposes, less any investment tax credits currently available. Certain charges to earnings differ as to timing from those deducted for tax purposes. The tax effects of these differences, primarily for depreciation, pension and valuation reserves, are reflected as Deferred or Prepaid Income Taxes.

New Product Development Costs—Expenditures for the development of new products and new product applications are expensed in the year incurred.

Amortization of Intangibles—The costs of acquired patents, licenses and engineering drawings are amortized over their estimated useful lives. Internally generated patent costs are expensed as incurred. Goodwill arising from acquisitions accounted for as purchases is being amortized over periods not exceeding forty years.

Pensions—The company has noncontributory pension plans which cover substantially all hourly and salaried employees. Pension provisions charged to income each year for financial reporting purposes are sufficient to cover current costs and prior service costs amortized over periods not exceeding forty years. Pension plans are funded after giving consideration to the financial condition of each pension fund. Only actual contributions to each fund may be charged to income for tax purposes. The difference between pension expense charged to income for financial reporting purposes and actual pension contributions made to the trustees appears as Pension Provisions Not Currently Payable.

Lease Income—The company follows both the finance and operating methods of accounting for equipment placed with customers on lease, depending on an evaluation of the underlying factors of each transaction. If ownership risks are retained by the company, the operating method, which amortizes income over the term of the lease, is used. If ownership risks are transferred to the customer, the transaction is recorded as a sale. Under the operating method, income attributable to future periods is shown as Deferred Rental Income.

Net Income Per Common Share—Net income per common and common equivalent share is computed by dividing net income, after deducting dividends on preferred stock, by the average number of common and common equivalent shares outstanding during the year. Fully diluted earnings per share assume that the average number of common shares outstanding are further increased by conversion of the average amounts of 6% Convertible Subordinated Debentures outstanding during the periods, and that interest, net of income tax, on the debentures is eliminated.

COLUMBIA BROADCASTING SYSTEM, INC.(DEC)

Notes to Consolidated Financial Statements

Note 1: Statement of Significant Accounting Policies

Principles of Consolidation— The consolidated financial statements include the accounts of the Company and its majority-owned domestic and foreign subsidiaries.

Foreign Operations.—The accounts of foreign subsidiaries and branches are translated into U.S. dollars at rates of exchange prevailing on the date of the balance sheet except for noncurrent assets and liabilities and capital accounts which are translated at rates of exchange in effect when they were acquired or incurred. Income and expense accounts are translated at the average exchange rates for the year except that depreciation expense is translated at historical rates. Unrealized gains or losses on foreign exchange are generally credited or charged to income.

Revenue Recognition.—The Company's practice is to record revenues from sales of products as shipped and services as rendered. All transactions between divisions and subsidiaries are eliminated in the consolidated financial statements.

Income Taxes.—Provisions for income taxes are calculated on reported pre-tax income. Such provisions differ from amounts currently payable because certain items of income and expense are reported in the income statements in periods different from those in which they are reported for income tax purposes. The principal difference is depreciation which is calculated on accelerated methods for income tax purposes and on the straight-line method for financial reporting purposes.

Investment tax credits are reflected in the income statements as reductions of the provisions for income taxes in the current period.

The Company currently provides income taxes on undistributed earnings of subsidiaries for which remittance is anticipated.

Inventories.—The cost of products sold is generally charged to cost of sales based either on an average or first-in, first-out basis. The carrying amount of inventories is maintained at the lower of cost or market value.

Programs and Films for Television Broadcast.—Costs incurred in the production of and amounts paid for films and programs which are to be broadcast on television within one year are classified as current assets, representing the principal portion of the balance sheet caption Films, Programs, Film and Program Rights. The non-current portion, which is not significant, is included in Other Assets. Commitments for theatrical films or broadcast on television are reflected in the accounts as payments are made.

The Company's practice is to charge expense for such amounts as the related films and programs are broadcast in a manner to achieve an appropriate matching of revenues and expenses.

Bookplates.—Composition, engraving, artwork, design and other costs of books incurred prior to publication (generally referred to as bookplates) are deferred and charged to expense over the estimated life of the books. Costs attributable to the production of books (e.g., costs of paper, printing and binding) are included in inventory and charged to cost of sales as inventory is sold.

Investments.—Investments in companies in which the Company has a 20% to 50% interest are stated at cost plus equity in undistributed earnings since acquisition (the equity method). The Company's equity in the net income or loss of these companies is included in the consolidated income statement. Investments, which are minor, in companies representing less than a 20% interest are stated at cost, and income is recorded when dividends are declared.

Property, Plant and Equipment.—Land, buildings and equipment are stated at cost. Major improvements and betterments to existing plant and equipment are capitalized. Expenditures for maintenance and repairs which do not extend the life of the applicable assets are charged to expense as incurred.

Depreciation of the plant and equipment is provided on bases estimated to be sufficient to write off the cost of the assets over their estimated useful lives, using principally the straight-line method.

When properties are retired or otherwise disposed of, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting profit or loss is reflected in income except with respect to disposals of minor items included in composite groups.

Intangibles.—The excess of the cost over the fair value of net assets of businesses and investments acquired subsequent to October 31, 1970 is being amortized over a period of 40 years on astraight-linebasis in conformity with the requirements of Accounting Principles Board Opinion No. 17. Such excess applicable to businesses and investments acquired on or prior to that date is not being amortized.

The cost of other intangible assets is being amortized over their respective economic lives.

Pension Plans.—The Company and certain of its subsidiaries have several pension plans covering substantially all of their employees, including certain employees in foreign countries. The Company's policy in general is to fund pension costs accrued.

Research and Development.—Research and development expenditures are charged to expense as incurred.

DEL MONTE CORPORATION (MAY)

Summary of Accounting Policies (page 26)

Consolidation—All financial statements of the Corporation and its domestic and foreign subsidiary companies, except real estate subsidiaries, have been consolidated and intercompany items and transactions have been eliminated.

Acquisitions are treated as either poolings of interests or *purchases.* Under the pooling of interests concept, companies acquired with Del Monte stock are considered to have always been a part of the Corporation; therefore, their operating results are included in current financial statements and in the figures restated for prior years. Net assets are recorded at values carried on the books of the acquired companies. When a company is purchased, its earnings are included only from date of acquisition and the investment is recorded at Del Monte's cost. When the purchase price exceeds the value assigned to the net assets acquired, the excess is recorded as an intangible asset. (See Intangible Assets).

The Corporation's investments in unconsolidated real estate subsidiaries and affiliated companies are carried at original cost, plus the Corporation's share in undistributed earnings.

Earnings Per Share—Earnings per share are based on the average number of shares of capital stock outstanding during the year: 12,061,491 in both 1972 and 1971 as restated for poolings.

In calculating fully diluted earnings per share, it is assumed that all the Corporation's outstanding debentures were converted to capital stock at the beginning of the fiscal year. Full conversion of the 5¼ per cent convertible debentures would have reduced Del Monte's 1972 earnings per share 5 cents, to $1.88.

Income Taxes—Each United States subsidiary is included in the consolidated federal income tax return of the Corporation. Foreign subsidiaries are taxed according to regulations existing in the country in which they do business. In most instances, these foreign subsidiaries pay lower taxes than they would if they operated in the United States. As a result, the Corporation's overall income tax provision is less than "normal" United States tax. No provision has been made for taxes which would be payable if the undistributed earnings of subsidiaries were remitted, since such earnings are, in large part, permanently invested in the related operations.

For tax purposes the Corporation is permitted to deduct from income certain expenses such as depreciation and growing crop costs in an earlier period, or at a faster rate, than it uses for financial reporting purposes. To account for these timing differences, the Corporation's financial statements reflect a liability for *deferred taxes,* chargeable against current operations but payable in subsequent periods.

The investment tax credit is a reduction in U.S. income taxes which is earned by investing in qualified plant and equipment. Under the accepted "flow through" method of accounting, these credits are deducted from taxes for the years in which they are earned.

Foreign Exchange and Currency Translation—For financial reporting purposes, foreign currencies are generally translated into U.S. dollars on the following basis: net current assets, long-term receivables at year-end exchange rates; plant and equipment, other assets, and deferred income taxes at rates in effect when originally recorded; revenues and most costs and expenses at the average rates of exchange during the year; depreciation and deferred income taxes at the rates existing when the related asset was acquired or when the deferred tax was recorded. Gains or losses resulting from changes in currency valuation are included in current year's earnings.

At May 31, 1972 the Corporation's share in the net assets of foreign subsidiaries amounted to $59,600,000. The working capital of these companies totalled $22,200,000.

Inventories—Inventory values are recorded at cost or market, whichever is lower. The last-in, first-out (LIFO) method is used to determine the value of domestic canned foods, dried fruit, and tinplate inventories. Under this method it is assumed that the most recent additions to inventory are sold first. In times of rising production costs, this method of inventory valuation tends to present a conservative statement of earnings in that the "last in" item is frequently more expensive, and therefore generates a lower profit, than like items inventoried in earlier periods. The first-in, first-out (FIFO) method of determining cost is used for all other inventories of merchandise and materials and supplies.

Costs Related to Future Operations—The Corporation's canning operations are dependent to some extent on raw products grown on Del Monte farms, ranches and plantations. It is the Corporation's policy to defer *expenditures on growing crops* and to write them off at harvest, or, in the case of perennial crops, over the plantings' productive life.

Prepayments of insurance, rents, taxes and other expenses clearly related to future periods are considered *costs allocable to future operations,* and are not charged against current earnings. Research and advertising costs are recognized as expenses in the year incurred.

Plant and Equipment—Capital additions, improvements, and major renewals are classified as *plant and equipment.* Depreciation is recorded on the straight line basis— that is, the book value of each asset is reduced by equal annual amounts over its estimated usable life. Maintenance, repairs, and minor renewals are charged to earnings when they are incurred. When an asset is disposed of, its accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to earnings.

Intangible Assets—The intangible assets of certain consolidated foreign subsidiaries acquired prior to October 31, 1970 are classified separately in the Consolidated Statement of Financial Position; management considers these assets to have continuing value, and, therefore, does not plan to charge them off. Intangibles of $435,000 relating to foreign affiliated companies purchased during fiscal 1972 are included under *investments and advances to unconsolidated subsidiaries and affiliated companies* in the Consolidated Statement of Financial Position; these intangibles are being charged off, as required by recent accounting rules, over a period of forty years.

Retirement Plans—The Corporation and certain subsidiary companies maintain retirement plans for most of their regular employees. It is the general policy to fund pension costs currently—that is, to finance pension benefits as they are earned by our employees. With respect to the principal retirement plan, pension benefits arising from employment before the plan was started have been fully funded; and, according to the Corporation's actuary, the value of the plan's assets substantially exceed vested benefits earned by employees presently covered under the plan. Charges to earnings for pension plan outlays of $2,453,000 in 1972 and $1,579,000 in 1971 are in accordance with the actuary's recommendations.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Summary of Accounting Policies

Accounting policies of the Company and its subsidiaries conform to generally accepted accounting principles and reflect practices appropriate to the industries in which they operate. The significant policies are summarized below for the convenience of the financial statement readers.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all of its domestic and foreign subsidiaries. The investment in the Japanese joint venture is carried in the consolidated financial statements at the Company's equity in the venture's net assets.

Translation of Foreign Currencies—The balance sheet accounts of foreign subsidiaries are translated into United States dollar equivalents at year-end rates of exchange, except for property, plant and equipment which are translated at historical rates of exchange. The income statement accounts of foreign subsidiaries are translated into United States dollar equivalents using average rates of exchange in effect for the year, except that depreciation is translated at historical rates. Gains and losses resulting from the translation of foreign currencies are included in the results of operations for the year.

Inventories—Inventories are stated at the lower of cost or market. The major portion of the Company's inventories is based on standard costs, adjusted as required to reflect approximate current costs; other inventories are based on average costs. Inventories are reduced to market, if less than cost, and quantities in excess of currently estimated requirements are not valued. Estimated requirements represent expected use for varying periods which never exceed twelve months. In the determination of market value, the Company generally uses the lower of current replacement costs or estimated net realizable value. Progress payments received on contracts as to which title to the related inventories vests in the United States government are deducted from the applicable inventories.

Property, Plant and Equipment—Expenditures for property, plant and equipment and for renewals and betterments which extend the originally estimated economic life of assets or convert the assets to a new use are capitalized. Expenditures for maintenance, repairs and other renewals of items are charged to expense. When items become fully depreciated or are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the results of operations.

Provisions for depreciation and amortization are made using the straight-line method for the major portion of items acquired after 1968 and for all items acquired prior to 1954; the sum-of-the-years'-digits method is used to provide for depreciation of the remaining items. Depreciation is computed using various estimated economic lives ranging from twenty to fifty years for buildings and from three to sixteen years for machinery and equipment. Leasehold improvements are amortized over the remaining terms of the leases or the estimated economic lives of the improvements, whichever is shorter.

Contracts— Income on fixed price contracts is recorded at the time deliveries are made and the Company has the contractual right to bill. Income under cost reimbursement contracts is recorded as work is performed in accordance with contractual terms. Provisions are made on a current basis to fully recognize any known losses on contracts.

Royalty Income—The Company owns certain patents relating to the process of manufacturing semiconductor devices. Licenses to use these patented processes and other technical knowledge of the Company have been granted to a number of companies. Royalty income is based upon either a percentage of sales of licensed products or a fixed schedule of payments. Royalties are included in income in the period when payments are scheduled to be received.

Research and Development—The Company is actively engaged in basic technology and applied research and development programs which are designed to develop new products and applications. The costs of these programs, net of customer sponsored and reimbursed projects, are charged to operations as incurred and are shown separately in the accompanying income statement. Substantial ongoing product and process improvement engineering and support programs relating to existing products and applications are conducted within production engineering departments. The related costs are not classified as research and development, but are included within cost of sales.

Pension Plans—The Company and some of its subsidiaries have individual pension plans providing for various types of retirement benefits. Costs of such plans are provided in accordance with actuarial determinations and the costs applicable to past service at the time of adoption or modification of the plans are amortized generally over twenty-five years. In the case of funded plans, the amounts provided are deposited with trustees.

Income Taxes—Investment tax credits resulting from acquisitions of eligible assets are included in net income in the period when such credits are realized for tax purposes.

No provision is made for income taxes relating to potential future distributions of accumulated earnings from the foreign subsidiaries or a Domestic International Sales Corporation since it is the Company's present intention to utilize substantially all of the undistributed earnings in its foreign operations and qualified export activities.

See Note 2 of the notes to consolidated financial statements for information relating to tax assessments proposed by the Internal Revenue Service.

HARSCO CORPORATION

Summary of Significant Accounting Policies

Consolidation—The consolidated financial statements include those of the Corporation and all of its wholly-owned and majority-owned subsidiaries.

The Corporation accounts for its investment in an unconsolidated associated foreign company (included in other assets in the accompanying balance sheet) on an equity basis.

Foreign Currency Translation—The general policy followed in the translation of foreign currency items is to state assets (except net property, plant and equipment) and liabilities at appropriate year-end rates of exchange. Net property, plant and equipment is translated at the rates in effect at dates of acquisition. Income, costs and expenses (other than depreciation) are translated at rates prevailing during the year Translation gains or losses are included in income currently.

Inventory Valuation—Inventories are stated at the lower of cost or market, cost being determined using the first-in, first-out and average cost methods.

Depreciation—All property, plant and equipment is depreciated over the estimated useful lives of the assets. For domestic facilities, depreciation is computed principally on the declining-balance method. Foreign facilities are depreciated principally using the straight-line method.

Income Taxes—United States income taxes are provided currently on the undistributed earnings of foreign subsidiaries, unless such taxes would be substantially offset by foreign tax credits. Deferred U.S. and foreign income taxes are due to timing differences between amounts reported for financial accounting and income tax purposes and are applicable principally to depreciation (foreign facilities) and deferred compensation.

Investment Tax Credits—United States investment tax credits are deferred and amortized over the average useful lives of the related property. The amortization of the credits is included in consolidated net income as a reduction of federal income taxes.

Foreign Investment Grants—Such grants are deferred and amortized over the average useful lives of the related property. The amortization of the grants is included in consolidated net income as other income.

Pension Costs—These costs are computed on the basis of accepted actuarial methods. Current service costs are accrued and funded on a current basis. Prior service costs are amortized and funded over periods of not less than 10 years nor more than 30 years.

JOY MANUFACTURING COMPANY (SEP)

Accounting Policies

A summary of the significant accounting policies followed by Joy is presented below to assist the reader in evaluating the financial statements and other data contained in this annual report.

Principles of Consolidation—The consolidated financial statements generally include the accounts of the Company and all wholly owned subsidiaries. Foreign subsidiaries may be treated differently if affected by currency restrictions. Investments in less than wholly owned subsidiaries are carried at equity in net assets. Intercompany transactions are eliminated in consolidation.

Translation of Foreign Currencies—Properties and depreciation are translated at exchange rates prevailing when the assets were acquired; all other balance sheet accounts at current exchange rates and all other income statement accounts at average exchange rates for the year.

Inventories—Inventories, except supplies, are priced at cost, determined principally on the last-in, first-out method, or market whichever is lower. Supplies are priced at current cost.

Long-Term Construction Contracts—Sales and cost of sales on long-term contracts are recorded using the percentage-of-completion method based upon actual costs incurred. Periodic reviews of estimated final revenues and costs are made during the life of such contracts, based upon the best information available, and may result in revisions of estimates and adjustments of sales and cost of sales previously recorded.

Property and Depreciation—Maintenance and repairs are charged to expense. Renewals and betterments which substantially extend the useful life of property are capitalized. Accumulated allowances for depreciation and amortization of buildings and machinery and equipment retired or otherwise disposed of are eliminated from the accounts upon disposition. Profits or losses resulting from such dispositions are included in income.

In general, plant and equipment of domestic operations are depreciated on a straight-line basis for financial statement purposes. Depreciation for tax purposes, using the class life system for those assets acquired since January 1, 1971, is provided generally on an accelerated basis for the first seven years of an asset's useful life and subsequently on a straight-line basis. The policy for providing for depreciation of assets of foreign subsidiaries varies depending upon the laws in effect in the respective countries.

The Job Development Investment Credit is recorded under the flow-through method of accounting as a reduction of the current provision for federal income taxes.

In addition to tax credits, certain foreign countries provide investment incentives in the form of tax-free grants which offset costs of development, start-up expenses, or new facilities. New facilities grants are amortized over the life of the facilities and expense grants are used as offsets to the related expense.

Research and Development Costs—Company sponsored research and development costs are charged against operations as incurred.

Income Taxes—The Company follows the practice of recognizing the tax effects of transactions in the year in which such transactions enter into the determination of net income, regardless of when they are recognized for tax payment purposes. As a result, charges and credits are made to the income statement for transactions which may result in future tax benefits or future tax liabilities. The balance sheet caption "accumulated income tax prepayments" primarily pertains to inter-company profits in inventories and allowances for inventory obsolescence reduced by future tax liabilities arising from the operations of Joy Export Company, a Domestic International Sales Corporation; "accumulated income tax reductions" principally relate to depreciable plant and equipment reduced by future tax benefits for accrued employee benefits.

Provision is made for additional taxes that might result from the distribution to the parent company of retained earnings of consolidated foreign subsidiaries and equity companies, in accordance with the prevailing policy of distribution for each entity.

Pensions—Pensions are granted by the parent company, its domestic subsidiaries and a foreign subsidiary to salaried employees under a contributory retirement plan. Salaried and hourly paid employees are also covered under various noncontributory pension plans. Pension expense includes the amortization of prior service costs over a period ranging from 20 to 40 years. The Company's policy is to fund pension costs accrued.

The pension plans of the remaining foreign subsidiaries are covered under state-administered retirement plans, insured annuity plans or trusted programs. Benefit levels vary depending upon the locations and the laws in effect in the respective countries.

Goodwill—Goodwill arising from acquisitions accounted for as purchase transactions is generally amortized using the straight-line method over a 40 year period.

Pre-Production and Start-Up—Pre-production and start-up expenses are normally charged to income as incurred or amortized over a period not exceeding twelve months following commencement of operations.

Net Income Per Share—Net income per share is based upon weighted average of shares outstanding during each year. No dilution results from outstanding common stock equivalents.

MARCOR INC. (JAN)

Statement of Major Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of all significant subsidiaries other than those principally engaged in financial services (Montgomery Ward Credit Corporation, Pioneer Trust & Savings Bank and Montgomery Ward Life Insurance Company). The Company's investments in subsidiaries not consolidated and in companies 20% to 50% owned are accounted for on the equity method and accordingly Marcor's share of the earnings of these companies is included in consolidated net earnings and earnings reinvested.

Inventories—The valuation of retail store inventories is determined by the retail inventory method which prices individual items at current selling prices and reduces the amounts so determined to the lower of cost or market by applying departmental markup ratios. All other merchandising inventories are priced by individual items at the lower of cost (first-in, first-out method) or market (generally at current replacement cost). Manufacturing inventories, for the most part, are priced at the lower of average cost or market. The merchandise inventories reflect physical counts as of the respective year-end dates and other inventories are counted on a cycle basis. Due allowance is made for obsolete and shopworn merchandise.

Properties and Depreciation—Depreciation is provided on the straight-line method. Leasehold improvements are amortized over the shorter of estimated physical life or the term of the lease. Cost of timber harvested is based on units cut and the per unit cost of estimated recoverable timber. Maintenance and repairs are charged directly to earnings. Renewals and betterments of fixed assets are charged to property and equipment accounts. Upon retirement or disposition, the cost and the depreciation or amortization previously provided are removed from the accounts. Gains or losses on such retirements are included in earnings.

Deferred Federal Taxes on Income—The Company provides currently for federal taxes on income on all items included in the Statement of Earnings regardless of when such taxes are payable. For federal income tax purposes the gross profit from instalment sales (which is included in income at time of sale for financial reporting purposes) is deferred until the receivables arising from such sales are collected and the related deferred taxes are classified as a current liability. This liability is reduced by the net future tax benefits arising from other timing differences relating to current assets and liabilities. Taxes deferred due to the use of accelerated depreciation for income tax purposes are classified as a non-current liability.

Investment Tax Credit—The reduction in federal income taxes resulting from the investment tax credit for new property and equipment is reflected in the Company's statement of earnings currently.

Pre-opening and Pre-operating Expenses — Expenditures of a non-capital nature incurred prior to the opening of a new or relocated store are amortized over a 36-month period following the store opening date. Store closing costs and unamortized investment are charged to expense at the time of closing. Pre-operating expenses of manufacturing facilities are charged to expense as incurred except in isolated instances which are not material in total. Acquisition costs of the insurance business secured by the life insurance subsidiary are deferred and amortized over the estimated average life of the business secured.

Lease Obligations—As a general rule long-term leases are not capitalized unless the terms of the lease include an option to purchase at such a price that the rentals clearly represent purchase of an economic interest. Generally, leases for retail stores do not include such purchase options and are not capitalized.

Overseas Subsidiaries—The consolidated financial statements include the Company's significant overseas subsidiaries. Accounts of overseas subsidiaries are translated to U.S. dollars based on official or free rates of exchange as follows: plant and equipment accounts at historic rates; other assets and liabilities at rates in effect at the end of the year; income accounts, with exception of depreciation translated at historic rates, at the applicable rates during the year. The Company maintains a reserve for possible reduction of asset values occasioned by currency devaluations. No provision is made for U.S. income taxes on undistributed earnings of overseas subsidiaries since the Company intends to permanently reinvest that portion not remitted as dividends.

Provision for Credit Losses and Charge Off Policy—Provision for credit losses on Montgomery Ward's customer accounts is made to maintain adequate reserves to cover anticipated losses. Customer accounts are charged off against the reserve if no payment has been received for nine months or if notices are received of bankruptcy, fraud, death without estate or confinement to an institution.

Retirement Plans—The provision charged to earnings each year is sufficient to cover the retirement plan normal cost and interest on the prior service liability. The assets held by the Retirement Fund Trustees plus accruals on the Company's books are maintained at such levels as to be sufficient to cover all vested benefits.

NABISCO, INC. (DEC)

Statement of Accounting Policies

In its financial reports and presentations, Nabisco consistently employs those accounting practices and policies which it believes most realistically portray results of its operations. A brief digest follows:

Consolidation Policy—Nabisco consolidates all of its subsidiaries. The financial statements of certain foreign subsidiaries are included on a fiscal year basis, principally November 30, to facilitate prompt reporting of year-end consolidated results. For companies in which it has substantial interests, but owns 50 per cent or less, Nabisco records its share of the net results of these operations.

Business Combinations—The net assets and results of operations of those businesses, which are acquired in exchange for Nabisco common stock and qualify as poolings of interests, are included in the financial statements as if they had always been subsidiaries. Accordingly, prior years' published financial data are restated.

The net assets of those businesses acquired which are accounted for as a purchase are recorded at their fair values at the acquisition date and financial reports include their operations only from that date. The excess of acquisition cost over the fair value is included in the balance sheet as excess of investment in consolidated subsidiaries over net assets. That part of the excess which relates to acquisitions made in 1971 or thereafter is being reduced by annual charges against income over a 40-year period in accordance with generally accepted accounting principles effective at the beginning of that year. The excess which relates to acquisitions initiated prior to 1971 is not being amortized because its value in relationship to values associated with operations has not diminished.

Inventories, generally, are stated at the lower of average cost or market.

Investment Credit—Nabisco generally recognizes the U.S. investment credit earned on capital additions by reducing income-tax expense over the estimated useful lives of the related assets.

Depreciation—For financial reporting purposes, the company and its subsidiaries generally provide depreciation on buildings, machinery and equipment on a straight-line basis. Accelerated depreciation methods are generally used for tax purposes. Deferred income taxes are provided on the excess of tax depreciation over book depreciation.

Maintenance and Repairs are expensed in the year in which they are incurred. Expenditures which result in the enhancement of the value of the facilities involved are treated as additions to plant and equipment.

Research and Development costs are charged against earnings in the year in which they are incurred.

Foreign Exchange Rate—Nabisco employs appropriate current rates of exchange in translating international net assets, except for property, plant and equipment and certain other assets, which are translated at historical rates. In translating international sales, costs and net income in its Statement of Income and Retained Earnings, Nabisco uses applicable rates of exchange in effect during the period in which the transactions occured, except for depreciation which is translated at historical rates.

Net Income Per Share is based on the weighted average number of shares out-standing during the periods presented after giving effect to the potential dilutive effect of the exercise of stock options.

PET INCORPORATED (MAR)

Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of Pet Incorporated and all its subsidiaries. All material intercompany accounts and transactions have been eliminated. Accounts of foreign subsidiaries have been translated at the appropriate rates of exchange.

Acquisitions and Mergers—The accounts and operations of those businesses which are acquired in exchange for Pet common stock (and otherwise qualify as poolings of interests) are included in the financial statements as if they had always been subsidiares.

The net assets of those businesses purchased are recorded at their fair value at the acquisition date and the financial statements include their operations only from that date. Any excess of acquisition cost over this fair value is included in the balance sheet as "Excess of purchase price of companies acquired over net assets at dates of acquisition."

In accordance with Accounting Principles Board Opinion No. 17, any excess of purchase price over fair value of the net assets of businesses acquired subsequent to October 31, 1970 will be amortized over a period not to exceed forty years. However, substantially all of this account arose prior to that date and is of such a nature that amortization is not considered necessary.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined generally on a first-in, first-out basis.

Property, Plant and Equipment—Land, buildings and equipment are carried at cost. Major renewals and betterments are charged to the property accounts while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently.

The company follows the policy of providing for depreciation of property, plant and equipment by charging against earnings amounts sufficient to amortize the cost of properties over their estimated useful lives (buildings—20 to 50 years; machinery and equipment—3 to 20 years). Depreciation is provided on the straight-line method for financial reporting purposes and on accelerated methods for tax purposes.

When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts, and any profit or loss on disposition is credited or charged to earnings.

Income Taxes—The company follows the practice of providing for income taxes based on income reported for financial statement purposes rather than amounts payable under the tax laws of the various countries in which it has operations. The consolidated provision for taxes also includes an amount sufficient to pay additional United States federal income taxes on repatriation of income earned abroad.

Deferred income taxes result primarily from the use of accelerated depreciation methods for tax reporting purposes. Current tax benefits resulting from the excess of tax over book depreciation have been deferred to future periods when book depreciation may exceed amounts claimed for tax purposes.

The investment tax credit is recognized as a reduction of the provision for income taxes in the year in which the credits are available for tax purposes.

Stock Options—Proceeds from the sale of common stock issued under these options are credited to common stock at the time the option is exercised. The company makes no charges against earnings with respect to these options.

Retirement Plans—The company and several subsidiaries maintain contributory and non-contributory retirement plans for substantially all salaried and hourly employees. The company is providing for the cost of these plans as benefits are accrued, based upon actuarial determinations employing the unit credit frozen liability method.

Development and Promotion Expenditures—Research and development costs, pre-opening expenses of new stores and advertising and promotion are expensed as incurred.

Patent and Trademark Expenditures—Expenditures for the acquisition, protection and renewal of trademarks and patents are charged to earnings as incurred for financial reporting purposes. For tax purposes, these costs are amortized over five or seventeen years, as applicable.

Lease Agreements—Annual rentals pertaining to leases which convey merely the right to use property are charged to current operations. Lease agreements which are substantially installment purchases of property have been recorded as assets and are being depreciated over their estimated useful lives, in accordance with Accounting Principles Board Opinion No. 5.

Bond Issue Costs—Expenses relating to the issuance of sinking fund debentures are being amortized under the bonds outstanding method.

NORTH AMERICAN ROCKWELL CORPORATION (SEP)

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies: Consolidation and Equity Accounting— The consolidated financial statements include all significant majority-owned subsidiary companies except North American Rockwell Credit Corporation, a wholly owned finance subsidiary. Investments in unconsolidated majority-owned subsidiaries are accounted for on the equity method. During 1972, the Company extended the equity method of accounting to all its investments in common stock of affiliated companies owned 20% or more (Note 5).

Foreign Currency Translation—Accounts of foreign subsidiaries and affiliates owned 20% or more are translated into United States dollars as follows: Current assets and current liabilities at year-end exchange rates; property, long-term debt and other noncurrent assets and liabilities at rates prevailing at dates of transactions; revenues, costs, and expenses at average rates during the year except that depreciation charges are translated at exchange rates prevailing when the related assets were acquired. Translation gains are deferred to the extent they exceed previously recorded losses; translation losses are included currently in consolidated net income.

Inventories—Inventories are stated at the lower of cost (average, FIFO or LIFO methods) or market, less progress payments received on contracts as to which title to the related inventories vests in the United States Government.

Work in process inventories under United States Government fixed-price type contracts of the Aerospace and Electronics Groups are stated generally at the total of the direct costs of manufacturing, engineering, and tooling and overhead applicable thereto (including general and administrative expenses, bidding expenses, and independent research and development costs allowable in accordance with United States Government procurement practices), less costs allocated to delivered items and reductions, where applicable, to estimated realizable values. Portions of such inventories, which in general relate to longterm programs, are not expected to be delivered within one year but are included in current assets in accordance with industry practice.

Sales under United States Government Contracts—Sales under cost-type contracts are recorded for costs, as incurred, plus a proportion of the profit expected to be realized on the contract in the ratio that costs incurred bear to total estimated costs. Sales under fixed-price-incentive contracts are recorded as deliveries are made at the cost of items delivered plus a proportion of the profit expected to be realized on the contract. The majority of these contracts contain cost or performance incentives which provide for increases in fees or profits for surpassing stated targets, or decreases in fees or profits for failure to achieve such targets. Performance incentives for which a reasonable prediction of accomplishment cannot be made in advance are included in sales at the time there is sufficient information to relate actual performance to targets or other criteria. Profits expected to be realized on these contracts are based on the Company's estimates of total sales value and cost at completion. These estimates are reviewed and revised periodically throughout the lives of the contracts, and adjustments to profits resulting from such revisions are recorded in the accounting period in which the revisions are made. Losses on contracts are recorded in full as they are identified.

Installment Sales—Sales of printing presses made on installment terms are recorded and income therefrom is recognized at the time deliveries are made. Installment notes receivable applicable thereto, a portion of which mature after one year, are included in current assets in accordance with recognized trade practice.

Intangibles Resulting From Acquisitions and Investments in Affiliated Companies—The intangibles resulting from acquisitions represent the excess of the cost of purchased businesses over their net assets at acquisition dates. Intangibles originating prior to November 1, 1970 are not being amortized because in the opinion of the Company there has been no decrease in their values. Intangibles arising after October 31, 1970 are being amortized by the straight-line method over forty years as required by current accounting principles.

The intangibles resulting from investments in affiliated companies, which are included in the carrying value of such investments, represent the difference between the cost of the investments and the Company's equity in the underlying net assets of the affiliates at dates of investment. The Company's amortization policy with respect to these intangibles is the same as for intangibles resulting from acquisitions.

Research and Development Costs—Costs of independent research and development performed by the Aerospace and Electronics Groups are charged to work in process inventories to the extent allowable under United States Government procurement practices. Costs in excess of allowable amounts are charged against income. Research and development costs in connection with commercial activities of the Automotive and Industrial Products Groups are charged against income as incurred, except for development costs of commercial aircraft which are deferred and amortized over future sales.

Retirement Plan Costs—It is the policy of the Company to fund accrued retirement plan costs. A substantial portion of these costs is actuarially computed using the "aggregate cost method" under which all presently unfunded costs, including prior service costs, and all changes in costs due to experience or other factors are spread over the remaining service lives of the participants.

Depreciation and Amortization of Property—Depreciation and amortization of property of the Aerospace and Electronics Groups is based principally on accelerated methods. Depreciation and amortization of property of the Automotive and Industrial Products Groups is based principally on the straight-line method.

Income Taxes—Taxes are provided, at appropriate rates, 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 installment sales, depreciation, property taxes, product warranties, commercial aircraft development costs, and equity in undistributed earnings of affiliates. Investment tax credits are recognized in the year the assets which give rise to the credits are placed in service.

THE STANDARD REGISTER COMPANY (JAN)

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies—The accounting policies that affect the more significant elements of the Company's financial statements are summarized below. They have been followed on a consistent basis.

Inventories—Valued at lower of cost or market. Finished products include forms stored for customers. (See Note 2)

Land, Buildings and Equipment—Items capitalized as part of land, buildings and equipment, including significant betterments to existing facilities, are valued at cost. (See Note 3)

Depreciation—For financial statement purposes, depreciation is computed 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. (See Notes 3 and 7)

Maintenance and Repairs—These costs are expensed as incurred.

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 credited to income. (See Note 7)

Investment Credit—The Company has, since 1962, consistently allocated the investment tax credit to income over the productive lives of the related equipment. (See Note 7)

Research and Development—These costs are expensed as incurred.

Pension Plans—The Company's policy is to fund pension costs accrued. The accrual includes amortizing the past service costs over thirty years. (See Note 5)

TRW INC. (DEC)

Notes to Financial Statements

Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and all subsidiaries.

The accounts of subsidiaries located outside the United States are translated into U.S. dollars using rates of exchange as follows: current accounts at current rates; noncurrent accounts at historical rates; and income and expense accounts at the average rates prevailing during the year except for depreciation expense which is translated at historical rates. Unrealized gains and losses from translation are applied to a reserve. Such reserve is adjusted, through operations, to recognize current estimates of possible future changes in currency values.

Long-term contracts are accounted for principally by the percentage-of-completion method. Certain contracts include cost and/or performance incentives. Income on such contracts reflects the Company's estimate of the ultimate cost or performance.

Inventories are carried at the lower of cost (principally first-in, first-out) or market.

For financial reporting purposes, the Company uses the straight-line method of computing depreciation for the majority of its depreciable assets while accelerated methods are used for income tax purposes.

Investments in associated companies (those companies in which 20% to 50% voting interests are held) are accounted for by the equity method; that is, carried at cost adjusted for the Company's share of undistributed earnings or losses since dates of investments.

Intangibles arising from acquisitions consummated prior to 1971 are not being amortized because, in the opinion of management, there is no present indication of diminished value. Intangibles arising from acquisitions in 1971 and thereafter are being amortized in compliance with an opinion of the Accounting Principles Board, by the straight-line method, over a 40-year period.

Substantially all employees of the Company and its domestic and Canadian subsidiaries and certain employees of other international subsidiaries are covered by one or more of several retirement-income plans. Pension expense, which is accrued and funded, includes current service costs and amortization of prior service costs generally over a period of forty years.

Research and product development costs reimbursable under contracts with customers are charged to inventories. Company sponsored research and product development costs are charged to operations as incurred.

Investment tax credit is accounted for by the flow-through method.

Primary earnings per share are computed on the average number of Common shares outstanding during each year including Common share equivalents of the Series A Preference Stock and outstanding stock options. Fully diluted earnings per share are computed assuming the conversion of all other convertible securities when the effect of such conversion is dilutive.

TRANS UNION CORPORATION (DEC)

Summary of Accounting Principles and Practices

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of the company and all significant subsidiaries other than wholly-owned finance lease companies and 50% owned companies. The equity of Trans Union in the net income of these unconsolidated subsidiaries has been included in the accompanying consolidated statement of income. The accounts of foreign subsidiaries have been translated to U.S. dollars at appropriate rates of exchange. All significant intercompany accounts and transactions have been eliminated.

Lease Accounting—Income from tank car leasing activities is recognized under the operating method. Aggregate rentals are reported as revenue over the life of the lease, and expenses (including depreciation and maintenance) are charged against such revenue as incurred. Future rentals under existing lease contracts are not recorded as assets but the minimum amount of such future rentals is reflected parenthetically in the balance sheet for information purposes.

Income from finance leasing activities is recognized under the financing method. These leases are full payout leases, which means that the lease terms provide for full recovery by Trans Union of its cost of the item leased, together with interest, expenses and profit. Aggregate income from this type of lease is total rentals less cost of equipment (less reasonable residuals) and this income is recorded over the life of the lease using the sum-of-the-digits method.

Depreciation and Fixed Assets Accounting—Tank cars, vessels and fixed assets are depreciated over their estimated useful lives on the straight-line method. The principal estimated useful lives are tank cars, 25 to 35 years; vessels, 20 to 25 years; buildings, 20 to 50 years; and equipment 4 to 25 years.

Maintenance and repairs are charged to expense when incurred except for that portion applicable to tank car construction facilities which is capitalized as part of the cost of tank cars. Cost of major renewals or betterments is capitalized by charges to the appropriate property account and depreciated over the remaining useful life.

The cost of property retired or otherwise disposed of is removed from the property accounts, the accumulated depreciation is removed from the related reserves, and the net gain or loss is credited or charged to income.

Real Estate Accounting—Income from sale of land is not recorded until the buyer has a significant and continuing cash equity (at least 10%) in the property. Furthermore, all sales with credit terms in excess of one year must bear interest at a rate at least equal to the "prime" borrowing rate in effect at the time of sale. Provision is made at the time of sale for future estimated development costs.

Real estate taxes and interest expenses applicable to development land are capitalized as part of the cost of land.

The cost of a large tract of land is allocated to the various parcels on the basis of the discounted future sales values as estimated for each parcel. This method has the effect of charging a higher initial cost against the land which will be sold first, and a lower cost against the land to be sold later in the development of the tract.

Sales of condominium units are recorded at the time title passes to the purchaser, at which time the company realizes the sales price in full.

Provision is made at the time of sale of completed buildings to cover the estimated future contingent costs related to contractual guarantees associated with such sales.

Accounting for Contracts and Warranties—The Company enters into contracts with customers for design and construction of projects which sometimes overlap two or more accounting periods. The percentage-of-completion method of accounting is used for these long-term contracts except in projects for which the Company has responsibility for on-site construction or installation. In the latter case the completed contract method is used. In the normal course of business, in connection with sales of some of its products, the Company makes certain warranties, including warranties as to workmanship and product performance. The estimated costs of these warranties are accrued at the time of sale. The estimates inherent in accounting for contracts and warranties are reviewed and revisions are made as required to reflect the most up-to-date information.

Deferred Federal Income Taxes—Certain transactions or amounts recorded as revenue or costs and expenses in a particular year will enter into the determination of taxable income (for Federal income tax purposes) in different years ("timing differences"). The most significant of these timing differences results from additional depreciation allowable for Federal income tax purposes in the early years of a tank car's useful life. As required by Accounting Principles Board Opinion No. 11, the Company has provided deferred taxes on these timing differences as if such taxes were due and payable currently. Under current Federal income tax depreciation regulations, deferred tax amounts applicable to additional tank car depreciation are retained for use by the company for an average period of 15-20 years.

The earnings of certain foreign subsidiaries are taxed at rates lower than rates prevailing in the United States. Additional taxes will be levied on such earnings if they are paid to the Company as dividends. It is the intention of the Company to permanently invest a portion of the earnings of these foreign subsidiaries for an indefinite period; thus to this extent these additional taxes will not be levied. The Company's policy is to provide deferred taxes on that portion of the undistributed earnings of these foreign subsidiaries which are expected to be paid to the company as dividends in future years. The amounts of undistributed earnings which have been or will be reinvested indefinitely and on which deferred taxes have not been provided aggregated approximately $11,500,000 for 1972 and prior years.

Deferred Investment Tax Credits—Investment tax credits, to the extent not passed to lessees, result in a reduction of current Federal income taxes payable and are applicable primarily to investments in certain new tank cars and ocean vessels. Investment tax credits retained are deferred and amortized over the estimated useful lives of the related assets.

Sinking Fund Operations—The provisions of certain of the company's debt instruments permit the company to make required sinking fund payments by application of reacquired debt instruments at face value. The company's policy is to reacquire debt instruments in the open market sufficient to cover the current sinking fund requirements if this results in a reduction in net interest cost. Any gains resulting from this policy are deferred and reflected as a reduction in interest expense over the period (usually one year or less) from date of reacquisition to the date applied to the sinking fund installment.

Voyage Accounting—Income from vessels time chartered to others is recorded on a pro rata basis over the period of the charter. Income on all other vessels is recorded on the completed voyage method.

Goodwill—Goodwill represents the excess of cost over the value of net tangible and identifiable intangible assets of businesses purchased. Goodwill acquired prior to October 31, 1970, ($12,122,000) is not being amortized because, in the opinion of management, there has been no diminution in its value. Goodwill acquired subsequent to October 31, 1970, is being amortized over periods ranging from 10-40 years as required by Accounting Principles Board Opinion No. 17.

Research and Development—Research expenses are charged to income as incurred. The costs connected with development and installation of comprehensive computerized systems are deferred and amortized over periods ranging from three to five years.

Credit Service Accounting—The costs of maintaining credit files and adding new credit files are expensed as incurred. The costs of investments in credit files acquired in connection with acquisition of credit bureaus are capitalized and are not being amortized. The costs of converting manual credit files to the computer system are deferred and are being amortized over a seven-year period.

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

Glossary of Financial Terms (page 22)

Amortization—A spreading of costs or income over a future period of time.

Book Value—Amounts at which the individual assets and liabilities are recorded on the books at any given time.

Deferred Income—Income received but not earned, which is to be amortized.

Deferred Taxes—Taxes computed on current earnings, to be due in future years. Such amounts primarily occur as a result of the difference between depreciation expense used on the books and depreciation expense used in computing income taxes.

Depreciation— Allocation of the cost of a capital asset over a period of time equal to its estimated useful life.

Investment Credit—A tax allowance permitted by the U.S. Government to stimulate investment in specified types of new depreciable capital assets. Any amount in excess of certain prescribed limitations cannot be used currently but may be carried forward for use in future periods.

Prepaid Expenses—Payments made in advance for goods or services to be used in future periods.

Revolving Credit— An agreement with commercial banks under wich borrowing may be fluctuated within predetermined accounts.

Stockholders' Equity—The sum of amounts received from stockholders for shares of stock issued by the Company and presently outstanding and the cumulative net income not distributed as cash dividends.

LEHIGH PORTLAND CEMENT COMPANY (DEC)

Glossary of Financial Terms

The following Glossary is provided as an aid to understanding the terms used in the Financial Statements and Financial Review.

Amortization—An annual charge against earnings representing a portion of the cost of an intangible asset which is being spread over its estimated useful life. An example of an intangible asset is goodwill, represented by the excess of cost over net assets of acquired companies.

Capital Expenditure—The purchase of property, plant or equipment (fixed assets).

Deferred or Prepaid Income Taxes—The difference between income taxes provided for financial statement purposes and the amount currently payable to Federal and state governments. Deferred or prepaid income taxes arise from differences in the timing of the recognition of certain items of income and expense. For example, the use of accelerated depreciation methods for tax purposes but the straight-line method for financial statement purposes results in the deferral of income taxes otherwise payable during the early years of an asset's life.

Depletion, Cost—An annual charge against earnings representing a portion of the original cost of land containing mineral deposits. The charge is based on the quantity of raw materials mined during a given year.

Depletion, Percentage—An income tax deduction provided for companies in extractive industries which is based on a percentage of income from mining activities.

Depreciation—An annual charge against earnings representing a portion of the cost of certain fixed assets which is being spread over their estimated useful lives. Depreciation also reduces the recorded book value of depreciable assets to reflect "wear and tear" during the year. In the straight-line method of depreciation the charge is spread evenly over the life of an asset. In the double declining balance method (one of several accelerated depreciation methods) the charge is higher in the early years of an asset's life and lower in the later years.

Earnings, Net—After-tax profit including both earnings from operations and extraordinary items.

Earnings, from Operations— Profit attributable to the normal business activities of the company.

Extraordinary items— Significant events and transactions of an extraordinary nature not considered to be the normal business activities of the company.

Investment Tax Credit—A tax credit permitted by the federal government to encourage investment in certain machinery and equipment. The flow-through method of accounting for investment tax credit recognizes the tax reduction in the year during which the machinery and equipment is placed in service.

Pension Contributions—Cash paid into trust funds for the purpose of paying employee retirement benefits.

Pro Forma—A presentation of data which has been revised to be comparative after certain significant events are retroactively included or excluded.

RESTATEMENT OF 1971 FINANCIAL STATEMENTS

Restatements of 1971 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 many of the survey companies. Table 1-11 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.

Retained Earnings Adjusted

ADMIRAL CORPORATION (DEC)

Financial Review

Restated Financial Statements for 1971 are presented because it was determined during an audit for the first quarter of 1972 that there was an overstatement of operating income of $182,000 ($.04 per share) and of net income of $590,000 ($.12 per share) for the year ended December 26, 1971. Errors in compilation resulted in previously reported consolidated inventories of $73,744,000 being overstated by approximately $907,000 and the liability for product and service warranties of $11,404,000 being overstated by approximately $453,000 at December 26, 1971. The restatement gives effect to corrections of these items, together with their related effect on profit sharing expense, provisions for income taxes and the extraordinary credit arising from utilization of U.S. income tax net operating loss carryover.

ARDEN-MAYFAIR, INC. (DEC)

Notes to Financial Statements

Note 8: Restatement— A federal income tax settlement resulting from audits of 1969 and 1968 federal income tax returns as filed by the Company resulted in assessments totaling $345,219 which have been charged to retained earnings as prior period adjustments. The amounts charged to 1969 and 1968 were $90,765 ($.03 per Common Share) and $254,454 ($.09 per Common share), respectively.

State income taxes for 1971 have been reclassified from delivery, selling, general and administrative expense to income taxes. The amount reclassified was $107,000

TABLE 1-11: RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS

	1972	1971	1970	1969
Beginning Balance of Retained Earnings Adjusted				
Poolings of interests	63	63	97	149
Equity method adopted for investments	39	55	7	8
Litigation or income tax settlements	24	14	18	25
Provision for taxes on undistributed earnings	18	–	–	–
Consolidation of subsidiaries previously carried at cost	6	11	11	6
Other	23	18	14	27
Total Adjustments	173	161	147	215
Total Companies	148	139	130	195
Balance Sheet Reclassifications				
Change within current or noncurrent classification	62	58	N/C	101
Change to or from current classification	41	39	41	
Consolidation or deconsolidation of subsidiaries carried at equity	13	20	15	
Change to or from asset side of balance sheet	16	26	11	
Other	23	22	20	
Total Balance Sheet Reclassification	155	165	87	101
Total Companies	127	143	79	101
Income Statement Reclassifications				
Operating results of discontinued operations shown separately	41	23	27	N/C
Change in presentation of income taxes	20	18	18	27
Change to or from single step form	10	16	11	21
Other	40	70	54	68
Total Income Statement Reclassifications	111	127	110	116
Total Companies	106	120	96	114

N/C— Not Compiled.

STANDARD CONTAINER COMPANY (DEC)

Notes to Financial Statements

Note 10: Investment Tax Credit Applicable to the Fifty-two Weeks Ended September 26, 1971— The Company's financial statements for the fifty-two weeks ended September 26, 1971 were issued prior to the enactment of the Revenue Act of 1971 and therefore did not give effect to the investment credit allowed retroactively. Accordingly, the statements of loss and retained earnings for the fifty-two weeks ended September 26, 1971 have been restated from amounts previously reported to reflect a retroactive credit of $20,000 ($.03 per share) for such investment credit.

THE SUPERIOR OIL COMPANY (DEC)

Consolidated Statement of Retained Earnings

	1972	1971 (Note 1)
Balance at beginning of year, as previously reported	$307,598,000	$312,366,000
Add adjustments for the cumulative effect on prior years for the following:		
Retroactive application of a change in method of accounting for investments in affiliated companies (Note 1)	22,993,000	22,554,000
Settlement of FPC Area rate order (Note 3)	1,110,000	973,000
Add treasury stock previously reported as a reduction of retained earnings (now shown as a component of shareholders' equity on the balance sheet)	31,479,000	28,081,000
Balance at beginning of year, as restated	**$363,180,000**	**$363,974,000**

Reclassifications

BORDEN, INC. (DEC)

Consolidated Statements of Income

	1972	1971
COSTS AND EXPENSES:		
Cost of goods sold	$1,780,803,994	$1,686,434,851
Marketing, distribution and administrative expenses	289,834,243	268,956,224
Other (income) and expense, net	(14,768,865)	*(12,641,083)
Interest expense (includes interest expense on leases— $1,964,449 in 1972 and $2,594,783 in 1971)	15,633,780	15,534,846
Income taxes	55,423,320	50.849.552*
	$2,126,926,472	**$2,009,134,390**

*State and local taxes on income reclassified to conform with 1972 presentation.

Notes to Consolidated Financial Statements

Note 4: Income Taxes—A comparative summary of federal, foreign and state and local income taxes follows:

	1972	1971
Current year taxes		
United States	$37,821,982	$27,328,541
Investment tax credit	(3,000,000)	(1,000,000)
Foreign	5,702,194	7,934,000
State and local	5,623,320	4,523,011
	46,147,496	**38,785,552**
Deferred	9,275,824	12.064,000
	$55,423,320	**$50,849,552**

COOK PAINT AND VARNISH COMPANY (NOV)

Statement of Income and Retained Earnings

	1972	1971
Net sales	$73,780,122	$62,491,102
Cost of products sold—Note F	54,210,650	45,545,553
	19,569,472	**16,945,549**
Expenses—Note F	17,018,501	15,515,643
	$ 2,550,971	**$ 1,429,906**

Note F: Reclassification of Expenses—Product development expenses aggregating $2,365,176 have been reclassified from expenses to cost of products sold in the accompanying statement of income and retained earnings for the year ended November 30, 1971. Such reclassification was made to conform with the 1972 classification.

EXXON CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies: Principles of Consolidation— The consolidated financial statements include the accounts of those subsidiaries owned directly or indirectly more than 50 percent.

Investments in the Arabian American Oil Company (Aramco) and certain other less than majority-owned companies in which a significant ownership interest is held, and where these companies are directly involved in oil, gas, or chemical operations, are carried at the corporation's equity in the underlying net book assets. Investments in all other less than majority-owned companies, none of which is significant, are carried at cost or less.

The consolidated statement of income includes, in the caption "Dividends, interest, and other revenue," the corporation's share of the net income of companies carried on the equity method with the following exception. In the case of producing companies, in particular Aramco, where the corporation's share of the crude production enters the corporation's supply stream, the corporation's share of the earnings before tax is deducted from "Crude oil and product purchases," and the related taxes are included in "Income and other taxes."

Note 3: Reclassificiation of Revenue and Costs— In 1972 the corporation's share of the earnings before tax, totaling $1,177,445,000, of certain companies (see Note 1), is reflected in the income statement as a reduction of "Crude oil and product purchases." The related taxes, totaling $638,761,347, are included in "Income and other taxes." Prior to 1972, these earnings, after tax, were included in the income statement as "Dividends, interest, and other revenue." The income statement for 1971 has been restated to reflect these reclassifications, which have no effect on net income.

POTLATCH FORESTS, INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): General—Net sales previously reported for the year 1971 have been decreased by $3,572,782, and selling, administrative, and general expenses have been decreased equally to reflect the reclassification of commissions on lumber sales to conform to the 1972 classification of this item.

WARD FOODS, INC. (DEC)

Consolidated Statements of Operations

	1972	1971
Net Sales—continuing operations only	**$400,389,090**	**$402,777,544**
COSTS AND EXPENSES:		
Cost of sales	295,847,795	288,680,627
Selling, general and administrative expenses	105,761,768	98,787,316
Depreciation and amortization	6,449,038	5,683,863
Interest on debt, less $795,813 and $989,504 interest income	8,017,093	6,475,262
Operating loss of reacquired companies	1,281,051	1,554,581
	417,356,745	**401,181,649**
Income (Loss) Before Income Taxes	(16,967,655)	1,595,895
Income Taxes, including deferred tax credits of $1,093,000 and $239,000	(568,693)	659,944
Income (Loss) From Continuing Operations	**(16,398,962)**	**935,951**
Income From Discontinued Operations	746,436	642,675
Income (Loss) Before Extraordinary Items	**$(15,652,526)**	**$ 1,578,626**

Notes to Financial Statements

Reacquisition of Restaurant Subsidiaries—In December 1971, the Company sold all its restaurant subsidiaries including commissary and warehouse facilities as well as its restaurant franchising operations for a long-term promissory note (partially secured by restaurant buildings and equipment) and cash. Certain restaurant buildings and equipment to which the Company retained ownership were leased to the purchaser. The Company provided reserves for this transaction.

During the period of operation by the purchaser, the restaurant companies continued to experience operating losses and the purchaser defaulted in certain of its obligations to the Company. In December, 1972, the Company gave notice of default to the purchaser and subsequently reacquired the companies. The Company sustained a loss on this reacquisition equal to the decrease in net worth of the restaurant subsidiaries during the period of non-ownership by the Company. A portion of this loss, ($1,000,000) was charged to the reserves for consolidation and realignment of facilities which had been provided, in part, for this purpose and the remaining loss of $1,281,000 is included in the consolidated statement of operations under the caption "Operating loss of reacquired companies."

When the restaurant subsidiaries were sold in 1971, their operating results were included in the 1971 consolidated statement of operations under the caption "Loss from discontinued operations." Since these operations were subsequently reacquired, the 1971 restaurant operating loss has been reclassified to "Operating loss of reacquired companies." The sales of the restaurant companies for 1972 and 1971 ($9,456,000 and $11,080,000), are not included in the sales of the Company. The Company has $17,151,000 invested in restaurant buildings, land, fixtures and equipment inclusive of approximately $6,000,000 in closed units and is guarantor of restaurant property leases aggregating $7,500,000. Based on current economic conditions and past experience, management has provided reserves for anticipated losses in connection with the disposition of closed and non-productive properties. The reserve has been deducted from property, plant and equipment to the extent that it is applicable to restaurant fixed assets.

CYCLOPS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Restatement of prior year's financial statements—In connection with the acquisition of Detroit Steel Corporation in November 1970 (accounted for as a purchase), a deferred credit from acquisition was recorded in the amount of $44,694,000. This amount, representing the excess of the amounts assigned to net assets over aggregate cost of the acquisition to Cyclops of approximately $17,000,000 (principally $12,000,000 in cash and a 5% installment note for $5,000,000), was to be amortized over a period of 15 years. During 1972 the Company reconsidered the presentation of the $44,694,000, and determined that the financial statements would be more clearly presented if this amount were allocated to the specific assets and liabilities acquired. This decision was facilitated by the announcement by the Internal Revenue Service on April 20, 1972, that last-in, first-out inventory (LIFO) valuation methods by a company acquired in an acquisition will not be terminated for tax purposes because of the application of the acquisition accounting described above adopted by the Company in 1972, provided that certain disclosure requirements are met.

The effect of the restatement was to decrease (increase) the carrying amounts of the net assets as follows:

Buildings, machinery and equipment	$39,666,000
Excess of vested pension benefits over pension fund assets	8,779,000
Deferred debt discount on assumed debt	(2,716,000)
Inventories	(1,549,000)
Other	514,000
Total deferred credit at November 12, 1970	**$44,694,000**

As a result, retained earnings at the beginning of 1971 were decreased by $158,000, and previously reported 1971 net income was decreased by $29,000.

ETHYL CORPORATION (DEC)

Summary of Long-Term Debt

SENIOR DEBT		
7.6% Senior Notes ($106 million—due 1974-86) and 7½% Promissory Notes ($50 million—due 1973-83)	$156,000,000	
The Prudential Insurance Company of America The Equitable Life Assurance Society of the United States The Northwestern Mutual Life Insurance Company New York Life Insurance Company		
4⅞% Promissory Notes—due 1973-83	22,750,000	
Northwestern Mutual Life Insurance Company John Hancock Life Insurance Company New York Life Insurance Company		
Miscellaneous	3,770,000	**$182,520,000**
SUBORDINATED DEBT		
5¾% Subordinated Notes— due 1979-82	50,000,000	
Various Institutional Investors		
Less unamortized discount (the balance of the amount corresponding to the proceeds of warrants sold with the Notes in 1962), reflecting an imputed total interest rate of 7.4%	5,234,000	44,766,000
Total Debt at December 31, 1972		**227,286,000**
Current Portion of Debt		4,025,000
Long-Term Debt		**$223,261,000**

Notes to Financial Statements

Note 14: Reclassification—For purposes of comparison, unamortized discount on long-term debt, previously included in Deferred Charges and other Assets, has been reclassified as a deduction from the face amount of the Corporation's $50,000,000 Subordinated Notes due 1982.

RAYBESTOS-MANHATTAN, INC. (DEC)

Notes to Consolidated Financial Statements

Note l: Deferred Income Taxes— The 1971 financial statements have been restated to reflect the reclassification of $1,474,230 from current income taxes to long-term deferred income taxes because of the Company's decision to change the timing of its pension expense deduction for tax purposes on its 1971 consolidated tax return filed in 1972. This timing difference will reverse over the 40 year period of funding the past service pension costs.

The deferred income taxes shown on the balance sheet at December 31, 1972, as a current asset, of $2,577,144 result principally from the timing difference of the deductibility for tax purposes of expenses connected with the discontinuance of certain product lines. These timing differences will reverse in 1973.

The long-term deferred income taxes shown on the balance sheet at December 31, 1972 of $421,664 consist principally of the net of the pension timing difference and the deferred tax benefit from the timing difference on deferred termination pay.

ACCOUNTING CHANGES

Table 1-12 summarizes the nature of accounting changes disclosed by the survey companies and the manner in which such changes were reflected in financial statements. *APB Opinion No. 20—Accounting Changes* "defines various types of accounting changes and establishes guides for determining the manner of reporting each type." As *Opinion No. 20* is effective for fiscal periods beginning after July 31, 1971, the reporting requirements stated in *Opinion No. 20* were mandatory for most but not all the annual reports included in this survey. Examples of accounting changes are shown below and in connection with Tables 4-5 and 6-8.

TABLE 1-12 ACCOUNTING CHANGES

Nature of Accounting Changes	**1972**	**1971**	**1970**
Equity method adopted for investments	65	81	21
Change in pension actuarial assumptions	32	30	10
Change in reporting entity	24	39	33
Provision for taxes on undistributed income	21	–	–
Change in amortization method	17	29	21
Change in service life of assets	6	6	6
Change in translation policy	6	–	–
Change described in paragraph 27 of APB *Opinion No. 20*	4	11	14
Change to or from expensing of expenditures as incurred	2	12	10
Changes in inventory valuation other than a change from LIFO method	2	8	3
Other	11	20	20
Total Accounting Changes	**190**	**236**	**138**
Number of Companies Disclosing Accounting Changes	159	193	118

Financial Statement Disclosure—1972

	1971 Restated	**Effect on 1971 Income Discl'd**	**Cumulative effect Discl'd**	**Effect not Discl'd**
Equity method adopted	42	19	3	1
Actuarial assumptions	–	24	–	8
Reporting entity	19	3	–	2
Tax on undistributed income	19	2	–	–
Amortization method	–	12	2	3
Service life of assets	–	5	–	1
Translation policy	–	5	–	1
Paragraph 27 changes	4	–	–	–
Expensing of expenditures	–	2	–	–
Other inventory valuation changes	–	2	–	–
Other	7	4	–	–
Total Changes	**91**	**78**	**5**	**16**

Change in Reporting Entity

FOREMOST-McKESSON, INC. (MAR)

Financial Notes

Financial Statements (in part)— The accompanying consolidated financial statements include those of all majority-owned United States and Canadian domiciled companies; investments in other subsidiaries have been included on the equity method. The Company's investment in consolidated subsidiaries is substantially equal to its equity in underlying net assets.

In recognition of the increasing significance of Foremost-McKesson Property Company, its realty assets and debt have been shown separately in the balance sheet and its operations and activities have been included in the statements of income and changes in financial position; previously the property company was included in the consolidated financial statements on the equity method. The financial statements and following financial information for 1971 have been restated to conform with the 1972 presentation; this reporting change had no effect on net income or stockholder equity for either year.

OLIN CORPORATION (DEC)

Statement of Accounting Policies

Basis of Presentation—The consolidated financial statements include all significant subsidiaries other than Olin-American, Inc. (OAI) which is accounted for on the equity basis. In October, 1972, the company transferred the assets and operations of its housing group to OAI, and at year-end owned approximately 95% of OAI's common shares.

Equity accounting has been adopted for OAI in recognition of significant differences between its activities in housing and real estate and those of the company's other businesses. In prior years, the accounts of the housing group were included in the consolidated financial statements. The accompanying 1971 financial statements have been restated; however, such restatement had no effect on net income or shareholders' equity.

During 1971, the company effected three acquisitions, of which two were accounted for as purchases and one as a pooling of interests. The results of operations of purchased businesses have been included since dates of acquisition and those of the pooled business for the entire year.

Investments in 20-50% owned companies are carried at equity. Current assets and liabilities of foreign operations are translated into U.S. dollars at year-end rates of exchange; long-term assets and liabilities are translated at historical rates.

R. J. REYNOLDS INDUSTRIES, INC.

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies and Related Matters—The Company includes in its consolidated financial statements the accounts of the parent and all subsidiaries after eliminating intercompany accounts and transactions.

Prior to 1972 the Company fully included in its consolidated financial statements the accounts of only domestic and Canadian operations. Effective January 1, 1972, the Company adopted worldwide consolidation and the Company's financial statements for 1971 have been reclassified for comparative purposes to include fully those foreign operations which were not consolidated prior to 1972. Since the Company reported foreign operations on the equity basis prior to 1972, the reclassification did not affect previously reported earnings from operations, interest, other (income) expense, taxes on income, and net earnings. The Company considers worldwide consolidation appropriate in view of the increasingly international character of the Company's business.

VEEDER INDUSTRIES INC. (DEC)

Notes to Consolidated Financial Statements

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

New international monetary agreements in late December 1971 resulted in a devaluation of the dollar and the realignment of foreign currencies. Consequently, the appropriate accounts of the foreign subsidiaries and unconsolidated associate company were included in the consolidated balance sheet at December 31, 1971 at the new exchange rates. The Company elected not to reflect the unrealized gain of $239,781 as income for 1971 but recorded such amount as a reserve for future currency fluctuations and revaluations. Unrealized losses resulting from the translation of foreign currency in 1972 amounted to $226,014 which was charged against the reserve established in 1971. Accordingly, no unrealized amounts from translation have been charged to 1972 operations.

In 1972 the Company's wholly owned Brazilian subsidiary was consolidated in order to more fully incorporate this operation in the Company's financial statements, since the economic conditions in Brazil appear to be more stable than in the past. Previously the Brazilian subsidiary had been included in the consolidated statements at cost, less reserve. The financial statements for 1971 have been restated for comparative purposes. This change in accounting entity, together with related adjustments, resulted in an increase to income before extraordinary items and to net income of $205,149 for 1972 and $121,631 for 1971. Income before extraordinary items and net income per share of Common Stock increased $.17 for 1972 and $.10 for 1971.

Consolidated retained earnings include undistributed retained earnings of foreign subsidiaries of approximately $6,010,000 at December 31, 1972 and $5,300,000 at December 31, 1971. These retained earnings may be subject to income and other taxes if and when remitted to the parent company; however, it is management's intent to reinvest undistributed earnings of foreign subsidiaries.

Change In Accounting Principles

AMERADA HESS CORPORATION (DEC)

	1972	1971
Income before extraordinary items and cumulative effect of a change in the method of accounting for costs of undeveloped oil and gas leases	$ 46,229,000	$133,249,000
Extraordinary items, net of income tax effect	1,187,000	---
Cumulative effect on years prior to 1972 of a change in the method of accounting for costs of undeveloped oil and gas leases, net of income tax effect (Note 2)	(21,415,000)	---
Net Income	**$ 26,001,000**	**$133,249,000**
Earnings per share		
Income before extraordinary items and cumulative effect of a change in the method of accounting for costs of undeveloped oil and gas leases	$1.27	$3.66
Extraordinary items	.03	--
Cumulative effect on years prior to 1972 of a change in the method of accounting for costs of undeveloped oil and gas leases	(.58)	--
Net income	**$ .72**	**$3.66**
Pro forma amounts under the new method of accounting for costs of undeveloped oil and gas leases (Note 2)		
Income before extraordinary items	$ 46,229,000	$127,029,000
Extraordinary items	1,187,000	---
Net income	**$ 47,416,000**	**$127,029,000**
Earnings per share		
Income before extraordinary items	$1.27	$3.49
Extraordinary items	.03	--
Net income	**$1.30**	**$3.49**

Note 2: Change in Accounting Method—Effective January 1, 1972, the Corporation changed its method of accounting for the costs of all undeveloped oil and gas leases. Undeveloped oil and gas leases were previously carried at cost and charged against income in full when properties were relinquished. Under the new method, costs of undeveloped oil and gas leases are amortized over the primary lease term with any unamortized costs charged against income at the time the properties are relinquished. As a result of the substantially higher cost of lease acquisitions in recent years, the newly adopted accounting method is more conservative and preferable in that it provides a systematic write-off of undeveloped oil and gas lease costs from date of acquisition. This accounting change decreased 1972 income before extraordinary items by $1,687,000 ($.05 per share). The cumulative effect of such accounting change on years prior to 1972 amounted to $21,415,000 ($.58 per share) after deducting the related deferred income tax effect of $19,758,000. The pro forma amounts shown in the Statement of Consolidated Income give effect to the retroactive application of this accounting change.

MONFORT OF COLORADO, INC. (AUG)

Notes to Consolidated Financial Statements

Note B (in part): Change in Accounting Method and Inventories—Live cattle and feed inventories of a feedlot subsidiary, Monfort-Gilcrest Company, have been stated at the lower of principally identified cost or market through August 31, 1971. Effective with the year ended September 2, 1972, Monfort-Gilcrest Company changed its method of stating such inventory costs to the last-in, first-out "LIFO" method. This change was made because management believes LIFO more clearly reflects income by reducing the effect of short-term price fluctuations and generally matches current annual costs against current revenues in the statement of income. This adoption of LIFO also conforms inventory cost methods to those of the Company's other feedlot subsidiary, Monfort Feedlots, Inc. The change has had the effect of reducing inventories at September 2, 1972, by $4,449,867 and net income by $2,224,934 ($.45 a share) for the year then ended. There is no cumulative effect of the change on prior years, since the August 31, 1971 inventory as previously stated at Monfort-Gilcrest Company is also the amount of the beginning inventory under the LIFO method.

MONSANTO COMPANY (DEC)

Notes to Financial Statements

($ millions, except per share)

Depreciation, Obsolescence, Depletion

	1972	**1971**
Charges against income:		
Depreciation and amortization	$168.4	$167.4
Obsolescence	21.7	14.7
Depletion	3.8	4.8
	$193.9	**$186.9**

Effective January 1, 1972, the Company changed from the sum of the years digits method to the straight line method of computing depreciation for financial statement purposes on domestic assets placed in service on or after that date. The reason for the change in policy was the desire to conform with prevailing industry practice. The change resulted in reduced depreciation charges of $5.0 and an increase in net income of $2.6, or 8 cents a share for the year.

It is estimated that the cumulative effect of the change in method will have a greater impact upon earnings in subsequent years.

The Company continued the use of the sum of the years digits method of computing depreciation on most domestic assets placed in service prior to 1972. The excess of depreciation provided by this method over straight line depreciation on such assets was $13.0 in 1972 and $18.3 in 1971.

AVCO CORPORATION (NOV)

Consolidated Stockholders' Equity

($ thousands)	Year ended November 30, 1972					
	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Total	Year ended Nov 30, 1971
Balance at beginning of year, as previously reported	$31,306	$34,418	$73,662	$297,847	$437,233	$424,885
Retroactive restatement for accounting changes of insurance subsidiary (Note 1)	.	.	.	67,678	67,678	61,589
Balance at beginning of year, as restated	**31,306**	**34,418**	**73,662**	**365,525**	**504,911**	**486,474**
Net earnings	.	.	.	43,188	43,188	34,514
Cash dividends paid on $3.20 preferred stock	.	.	.	(16,752)	(16,752)	(16,697)
Exchange of 55,000 shares of $3.20 preferred stock for rights to $4,160,000 principal amount of 5½% convertible subordinated debentures	330	.	3,830	.	4,160	.
Purchase of 40,693 shares of $3.20 preferred stock	(244)	.	.	(1,597)	(1,841)	.
Other	.	15	95	.	110	620
Balance at end of year	**$31,392**	**$34,433**	**$77,587**	**$390,364**	**$533.776**	**$504,911**

Note 1: Basis of Financial Statements—For information on Avco's consolidation policy and accounting practices; see the Financial Review beginning on page 4.

Financial Review (page 4)

In 1972, The Paul Revere Life Insurance Company, Avco's principal life insurance subsidiary, adopted changes in the accounting practices followed in the preparation of the accompanying financial statements to comply with the recent recommendations of the American Institute of Certified Public Accountants for stock life insurance companies. Net earnings for 1972 were greater by $5,292,000 or $.46 per Avco common share ($.22 per share after dilution) than they would have been had the old practices been continued. Results for years prior to 1972 have been retroactively restated to reflect the revised practices; restated net earnings for 1971 were greater than those previously reported by $6,089,000 or $.53 per common share. See Note 2 to the combined financial statements of Avco's insurance subsidiaries for a description of the nature of the changes.

Note 2: Accounting Principle Changes— In 1972, Paul Revere Life adopted the accounting principles recently recommended by the American Institute of Certified Public Accountants for use by stock life insurance companies. The major changes are described below.

The costs of acquiring new individual life and individual health business, principally commissions and certain selling, selection and policy issue expenses, which vary with and are primarily related to the production of new business, have been deferred and are being amortized over the policies' premium paying periods in proportion to the ratio of annual premium revenue to total premium revenue anticipated. Such costs were formerly charged against income as incurred. Amortization schedules were estimated using the same assumptions and interest rates as were used to compute liabilities for future policy benefits. Amortization charged to 1972 and 1971 earnings amounted to $9,093,000 and $8,428,000, respectively.

Liabilities for future policy benefits have been computed by the net level premium method based upon estimated future investment yield, mortality, morbidity and withdrawals. Morality, morbidity and withdrawal rates were based on studies of the company's own experience, developed by major lines of a business, rather than on the former basis of the requirements of regulatory authorities Interest rates for individual life and health insurance are 3½% for years of issue prior to 1948, 4% to 5% for 1948 to 1966, and 5½% for 1967 and later. For individual annuities, interest rates range from 4% for years of issue prior to 1964 to 6½% for 1972 issues. For group annuities, the range is from 3¼% to 4%.

Deferred income taxes result from differences in accounting principles between those appropriate for tax purposes and those used for financial statements.

The above changes resulted in the following adjustments to arrive at combined equity and net earnings:

	($thousands)		
	Equity at	Net	earnings
	Jan. 1, '71	**1972**	**1971**
Before accounting changes	**$134,633**	**$ 8,511**	**$ 7,197**
Accounting changes:			
Acquisition costs	72,947	5,955	5,031
Policy benefits	1,942	1,017	2,758
Deferred taxes	(13,300)	(1,680)	(1,700)
	61,589	**5,292**	**6,089**
After accounting changes	$196,222	$13,803	$13,286

THE NATIONAL CASH REGISTER COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 2: Accounting Changes—Since 1950, the Company had used the LIFO (last-in, first-out) basis for valuing most domestic inventories. Effective January 1, 1972, the FIFO (first-in, first-out) method of inventory valuation was adopted for inventories previously valued on the LIFO basis. This results in a more uniform valuation method throughout the Company and makes the financial statements with respect to inventory valuation comparable with those of the other major United States business equipment manufacturers. As a result of adopting the FIFO method, the net loss for 1972 is approximately $4,565,000 ($.20 per share) less than it would have been on a LIFO basis. The financial statements for prior years have been retroactively restated for this change and, as a result, earnings retained for use in the business have been increased by $25,297,000 as of January 1, 1971. Also, the 1971 income statement has been restated resulting in an increase in net income of $847,000 ($.04 per share). Inventories at December 31, 1971 are stated higher by $50,276,000 than they would have been had the LIFO method been continued.

Beginning with 1972 additions, the Company changed its method of computing depreciation on rental equipment and on property, plant and equipment in the United States from the sum-of-the-years digits method to the straight-line method while continuing the former method for assets acquired prior to 1972. This change in depreciation method was made to bring the company in line with general accounting practices in the business equipment industry. Concurrent with the change in depreciation method, for additions after January 1, 1972 the Company reduced the estimated useful life of rental equipment from 6 to 5 years and changed the estimated useful lives of certain other fixed assets. The effect of the change in depreciation method was to reduce the net loss after tax for the year 1972 by approximately $2,400,000 ($.11 per share), while the effect of the change in useful lives was not significant.

SWIFT & COMPANY (OCT)

Financial Comments

Changes in Accounting— Significant revisions were made in 1972 in the accounting methods used by the company. Three of the newly adopted methods have been applied retroactively as required by generally accepted accounting principles. These are (1) the adoption of the lower of current cost or market method for valuing substantially all inventories previously valued under the last-in, first-out (LIFO) cost method, (2) the adoption of the field cost method of accounting for oil and gas exploration and development activities for which the total cost method was used previously, and (3) the adoption of the equity method of accounting for investments in affiliated (20% to 50% owned) companies which were previously accounted for under the cost method. The 1971 consolidated financial statements have been restated to reflect the application of these revised accounting methods.

The company also revised its method of computing pension expense. This revision, which includes an updating of actuarial assumptions and changes in accounting methods, is being applied prospectively as required by generally accepted accounting principles and, therefore, had no effect on the 1971 consolidated financial statements.

Each revision is discussed more fully in the Statement of Accounting Policies. The effects of the revisions on the consolidated financial statements are summarized below.

Effects on results of operations— The retroactively applied revisions in accounting methods decreased 1971 net earnings from the previously reported amount by $8.0 million or $.66 per common share. If these changes had not been made, it is estimated that net earnings for 1972 would have been $6.7 million or $.55 per common share less than the amounts reported.

The revision in the assumptions used in the actuarial computation of pension expense reduced such expense for 1972 by approximately $1.5 million and the changes in accounting method reduced 1972 pension expense by approximately $3.5 million. As previously mentioned, these reductions in pension expense were partly offset by the cost of increased benefits.

The effects of each of the above changes on net earnings, in millions of dollars, and on net earnings per common share, are as follows:

	1972		1971	
	Net earnings	Per share	Net earnings	Per share
Increase (decrease) due to changes for:				
Inventories	$6.2	$.51	$(.9)	$(.07)
Oil and gas	(.2)	(.02)	(5.2)	(.43)
Affiliated companies	.7	.06	(1.9)	(.16)
Pensions	2.6	.21		
Increase (decrease)	$9.3	$.76	$(8.0)	$(.66)

Other accounting changes were made in 1972 and

1971, none of which had a material effect on net earnings for those years or is expected to have a material effect on future earnings. The one-time effect of these changes was to increase net earnings by approximately $.4 million ($.03 per common share) in 1972 and $.6 million ($.05 per common share) in 1971.

Effects on financial position— The retroactively applied revisions in accounting methods resulted in significant changes in several amounts in the consolidated statement of financial position at October 30, 1971, from the amounts previously reported. Increases were reflected in inventories ($49.8 million) and deferred income taxes ($28.0 million). Decreases were reflected in investments and other assets ($2.5 million), property and operating facilities ($12.7 million), current liabilities ($6.5 million), and minority interests ($6.6 million). Accumulated earnings were increased by $19.7 million at October 30, 1971 and $27.7 million at October 31, 1970. Working capital was increased $56.3 million at October 30, 1971 and $58.9 million at October 31, 1970.

Statement of Accounting Policies

Inventories— Substantially all inventories are valued at the lower of current cost (determined on the first-in, first-out or average methods) or market. A substantial portion of the product inventories (43% at October 30, 1971) was previously valued at cost under the last-in, first-out (LIFO) method. The change in method of valuing these inventories has been applied retroactively pursuant to provisions of Accounting- Principles Board Opinion No. 20. The effects of this change on the consolidated financial statements are summarized in the Financial Comments under "Changes in Accounting".

The change in valuation method was made to more fairly present the company's financial position and operating results. The change applies primarily to the material components of agricultural product inventories, of which available supplies and purchase costs are subject to substantial cyclical fluctuations. Use of the LIFO cost method for these inventories has magnified the effect of these cycles on the earnings of the company's businesses engaged in processing and selling these products and has reduced comparability of the company's earnings to those of most other corporations, the majority of which do not use the LIFO method of inventory valuation. Further, use of the LIFO method has resulted in the reporting of inventories at amounts substantially less than the current costs of such inventories, thereby affecting significant financial statement amounts and ratios and understating the stockholders' investment in the business. These unfavorable effects on the company's financial statements are eliminated by the accounting change.

Investments— Investments in nonconsolidated subsidiaries are carried at cost plus equity in accumulated earnings. The nonconsolidated life insurance companies prepare their financial statements in accordance with practices prescribed or permitted by the state regulatory agencies to which they are subject, which practices differ in certain respects from generally accepted accounting principles. For purposes of determining Swift's equity in the net assets and net earnings of these companies, adjustments are made to conform certain statutory practices with generally accepted accounting principles. These adjustments include restating common stock investments from market value to cost, restoring "nonadmitted assets" to net assets, classifying the mandatory securities valuation reserve as an equity reserve, deferring commission expense on policies other than ordinary life policies, including realized gains and losses on investment dispositions in net earnings, and providing deferred income taxes on timing differences other than differences relating to amounts designated for federal income tax purposes as "policyholders' surplus".

Investments in affiliated (20% to 50% owned) companies are accounted for by the equity method. The company's equity in affiliates' net earnings is adjusted for income taxes which would be payable if the earnings were distributed. Other investments are carried at cost or less.

The investments in the affiliated companies were previously carried at cost less allowances for possible losses. The change in method of accounting was made to conform with provisions of Accounting Principles Board Opinions Nos. 18 and 24 and has been applied retroactively pursuant to these opinions. The effects of this change on the consolidated financial statements are summarized in the Financial Comments under "Changes in Accounting".

Property and operating facilities. (in part)— The company's subsidiaries, principally TransOcean Oil, Inc., engaged in oil and gas exploration and development activities use the field cost method of accounting.

Under this method, cost of exploratory dry holes are charged to expense as incurred. Other costs of acquisition, exploration and development, including lease costs, delay rentals and developmental dry holes identifiable with specific fields, are capitalized as oil and gas properties. Costs associated with a producing field are depleted on the unit-of-production method over the remaining proven developed reserves of the field as estimated by the company. Capitalized costs in excess of the estimated economic value of a field's estimated reserves are charged against operations by additional provisions for depreciation and depletion. Capitalized costs applicable to fields which prove to be non-productive are written off when such determinations are made. Costs of lease and well equipment are depreciated on the straight line method.

Prior to 1972, the company used the total cost method of accounting. Under this method, all acquisition, exploration and development costs, including costs relating to surrendered or abandoned fields, exploratory dry holes and a portion of general and administrative expenses, were capitalized as oil and gas properties. These costs were identified with one of the broad geographic areas in which each of the company's subsidiaries operate and, together with costs of lease and well equipment, were depleted and depreciated on the unit-of-production method. Costs were written off when the properties in a broad geographic area were determined to be valueless or when such costs were determined to be in excess of net revenues expected to be realized from production in the area.

The change in method of accounting for these costs has been applied retroactively pursuant to provisions of

Accounting Principles Board Opinion No. 20. The effects of this change on the consolidated financial statements are summarized in the Financial Comments under "Changes in Accounting". The change, which conforms the company's practices to those adopted by TransOcean Oil, Inc. at its March 31, 1972 fiscal year end, was made to place the company on a more conservative accounting basis and one which more closely approximates methods most commonly used in the petroleum industry.

Pensions— Pension expenses are accrued in amounts equal to the normal costs of the plans (including interest on the unfunded actuarial liabilities) and amortization of prior service costs under certain of the plans over periods of not more than forty years. Contributions to the pension trusts are made periodically in amounts authorized by the Board of Directors and, in addition, certain pension costs are paid directly by the company.

The unit credit actuarial cost method is used for the major plans. Revisions in pension cost determinations made in 1972 included (1) an updating of most of the actuarial assumptions used, including a revision in the earnings assumptions as to the major plans from 6% to an average rate of approximately 6.75%, (2) a change from an adjusted cost basis of valuing pension fund assets to a market value basis (under which a portion of annual market appreciation is included in the value of fund assets over a ten-year period), and (3) a change from a cash method of accounting for the cost of pensioners' medical insurance to a method by which this cost is included in the actuarial computation of pension expense. The net effect of 1972 pension expense of these revisions, which have been applied prospectively pursuant to provisions of Accounting Principles Board Opinion No. 8, is discussed in the Financial Comments under "Changes in Accounting".

The change in accounting for the pension fund assets was made to more appropriately reflect changes in the market value of the pension funds' investments in the determination of the funds' financial status and earnings. Under the previously used method, changes in fund asset values and earnings were more responsive to the gain and loss effects of investment sales than to changes in the actual market value of the funds' investments.

The change in accounting for pensioners' medical insurance was made to reflect the cost of this element of the company's pension program, which has increased substantially over the past several years, on the accrual basis.

THE UNITED STATES SHOE CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note 3 (in part): Income Taxes—A description of the method of accounting elected by the Company for the new investment tax credit is described on page 15 of this annual report.

Financial Review

Investment Tax Credit—The Company has elected to account for the new investment tax credit, provided in the Revenue Act of 1971, on the "flow-through" method. Prior to 1972, the Company followed the practice of amortizing investment tax credits to earnings over the approximate useful life of the applicable properties. Net earnings for 1972 were increased by approximately $200,000, or $.03 per share, as a result of this policy change.

Change in Accounting Estimates

THE BRISTOL BRASS CORPORATION (DEC)

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, 1972 and December 31, 1971 were approximately $370,000 and $439,000, 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, 1972 and January 1, 1971 (dates of latest valuations), exceeded the total of the pension funds and balance sheet accruals by approximately $1,050,000 and $1,597,000 at the respective dates. Changes in certain actuarial assumptions used by the independent actuary in computing pension costs for 1972 had the effect of increasing net income for 1972 by approximately $41,000.

EMPIRE GAS CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Depreciation—Depreciation is provided for financial statement purposes by the straight-line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Storage facilities	33 years
Customer service facilities	25 years
Transportation equipment	4-10 years
Office and other equipment	10 years

As a result of a survey conducted during the year, the Company extended the lives on bulk storage facilities from 20 to 33 years and on customer service facilities from 20 to 25 years. As a result of extending these lives, the net earnings of the Company for the current year were increased $185,000 or $.09 per common share on a fully diluted basis.

For income tax purposes, depreciation is computed by accelerated methods.

BUSINESS 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. A pronouncement requiring a diversified company to disclose in its financial statements the revenue and income (before income taxes and extraordinary items) of its business segments was considered but not issued by the APB. The subject of diversified company reporting is currently being studied by the Financial Accounting Standards Board which, effective June 30, 1973, succeeded the APB as the authoritative source of accounting pronouncements. The SEC requires that business segment revenue and income be disclosed in Form 10K.

Tables 1-13 and 1-14 analyze the types of revenue and income information for business segments disclosed in annual reports of the survey companies. Examples of disclosures of business segment revenue and income follow.

TABLE 1-13: PRESENTATION OF REVENUE INFORMATION

Information Presented	**1972**	**1971**	**1970**	**1969**
By product line	218	176	162	152
By division or subsidiary	140	144	139	117
Total foreign sales	115	139	116	103
Sales to government	33	44	53	61
Sales to particular industry or type of customer	45	29	54	58
By geographic areas	30	20	17	19
Total Presentations	**581**	**552**	**541**	**510**
Number of Companies				
Revenue information presented .	382	358	335	319
Revenue information not presented	218	242	265	281
Total	**600**	**600**	**600**	**600**

AMERICAN STANDARD INC. (DEC)

Notes to Consolidated Financial Statements

Distribution of Sales and Product Income (1971 omitted for presentation purposes).

Sales and income may be distributed as follows (dollars in millions):

	Sales		**Income**	
	Amount	%	Amount	%
Building Products	$ 649.1	49	$42.8	51
Transportation Systems	264.2	20	18.2	21
Industrial and Construction Products	216.0	17	9.2	11
Security and Graphic Arts	189.7	14	15.9	19
Miscellaneous	1.6	--	(1.6)	(2)
Sales and product income	**$1,320.6**	**100**	**84.5**	**100**
Other income			8.0	
Interest expense			(27.6)	
Corporate			(9.7)	
Taxes on income			(27.6)	
Equity in net income (loss before extraordinary charge) of				
Real estate subsidiary			(3.4)	
Finance subsidiary			1.0	
Income before extraordinary charges			**$25.2**	

TABLE 1-14: PRESENTATION OF INCOME INFORMATION

Information Presented	**1972**	**1971**	**1970**	**1969**
By product line	114	83	59	30
By division or subsidiary	98	88	70	53
Total foreign income	71	97	96	87
Income attributable to business with government, particular industry, or type of customer	19	13	17	12
By geographical areas	16	12	16	12
Subtotal	**318**	**293**	**258**	**194**
Separate financial statements or summaries for subsidiaries or groups of subsidiaries	68	65	79	65
Segment of reporting entity operating at a loss	28	14	55	50
Total Presentations	**414**	**372**	**392**	**309**
Number of Companies				
Income information presented	281	280	270	225
Income information not presented	319	320	330	375
Total	**600**	**600**	**600**	**600**

BOISE CASCADE CORPORATION (DEC)

Statement of Income by Businesses

(expressed in thousands)

(For presentation purposes *Income by Businesses* columns for Building Materials, Paper Manufacturing, Packaging and Office Products, and Latin American Operations have been omitted.)

	Income by Businesses				Boise Cascade Corporation and Subsidiaries Consolidated		
	Wood Products Manufacturing and Sales	Other Operations	Unconsolidated Joint Ventures	Total	Corporate Finance and Administration	Eliminations	Year Ended Dec 31, 1972
Revenues							
Sales	$438,858	32,098	$ --	$1,370,474	$ ---	[1]$(219,574)	$1,150,900
Interest and other income	2,175	376	(42)	16,207	63	---	16,270
	441,033	**32,474**	**(42)**	**1,386,681**	**63**	**[1](219,574)**	**1,167,170**
Costs and expenses							
Cost of sales	347,473	22,827	--	1,088,697	1,044	[1](219,574)	870,167
Depreciation and depletion	15,271	299	--	40,878	1,802	---	42,680
Selling and administrative expenses	16,128	15,001	--	121,049	22,430	---	143,479
Interest expense	---	---	--	---	36,244	---	36,244
	378,872	**38,127**	**--**	**1,250,624**	**61,520**	**[1](219,574)**	**1,092,570**
Operating income (loss)	$ 62,161	(5,653)	$ (42)	$ 136,057	$(61,457)		74,600
Percentage of operating income	45.7%	(4.1)%	--	100%			
Income taxes							
Current							39,519
Deferred							(3,669)
Investment tax credit							(1,600)
							34,250
Income from continuing operations before extraordinary items							40,350
Loss from operations discontinued or to be discontinued							(15,960)
Income (loss) before extraordinary items							**24,390**
Extraordinary items							(195,000)
Net loss							**$(170,610)**

(1) Elimination of intercompany sales to cost of sales. Transfers between business are primarily at market price.

FOREMOST-McKESSON, INC. (MAR)

Financial Notes

Net Sales of each of the five consolidated operating companies (which approximate the Company's principal lines of business) were as follows:

	1972	1971	1972	1971
	($ thousands)			
McKesson & Robbins Drug	$ 774,777	$ 771,421	40.1%	43.6%
Foremost Foods	429,986	417,535	22.2	23.6
McKesson Liquor	512,706	397,965	26.5	22.5
McKesson Chemical	164,193	151,429	8.5	8.6
Foremost-McKesson Property	51,721	29,178	2.7	1.7
Total	**$1,933,383**	**$1,767,527**	**100.0%**	**100.0%**

Operating company amounts for 1972 include $85,870,000 for companies combined in poolings of interests and acquired by purchase and exclude $46,346,000 for two units, the dispositions of which by sale, in whole or in part, are being actively negotiated.

Sales of nonconsolidated foreign subsidiaries, not included above, aggregated $81,000,000 in 1972 and $79,000,000 in 1971.

Sources of Earnings were as follows:

	1972	1971	1972	1971
	($ thousands)			
McKesson & Robbins Drug	$21,735	$19,138	28.7%	29.7%
Foremost Foods	23,590	21,454	31.1	33.2
McKesson Liquor	18,626	13,781	24.6	21.3
McKesson Chemical	5,385	4,900	7.1	7.6
Foremost-McKesson Property	6,413	5,261	8.5	8.2
Total	**75,749**	**64,534**	**100.0%**	**100.0%**
Less corporate amounts (principally interest)–net	17,064	17,284		
Income before taxes on income and, in 1971, extraordinary charge	**$58,685**	**$47,250**		

Amounts for 1972 include $1,648,000 of pretax earnings of companies combined in poolings of interests and acquired by purchase and exclude $1,451,000 of pretax losses related to the continuance of the operations of two units the dispositions of which by sale are being actively negotiated; the latter amount has been charged to accruals provided for through the extraordinary charge to income in 1971 (see Net Income). Operating results of other units included in the Company's long-term reinvestment program have not been excluded.

Equities in pretax earnings of foreign and other subsidiaries and joint ventures have been included in the respective operating company classifications which in 1972 also include equities in earnings of certain nonsubsidiary foreign companies; see Foreign Investments and Advances.

Expenses have been reported in the above tabulation according to the organizational structure in effect during each of the years. As a result of certain changes in such structure, expenses of approximately $2,000,000 in 1972 have been reported with corporate amounts whereas similar expenses in 1971 have been included in operating company classifications.

JIM WALTER CORPORATION (AUG)

Sales and Results by Operating Group

	1972	(a)1971
	($ thousands)	
NET SALES AND REVENUES:		
Mineral and Fiber Products Group	(b)$277,994	$193,981
Pipe Products Group	218,867	189,896
Homebuilding Group	88,289	88,901
Metal and Wood Products Group	(b)146,689	102,636
Stone and Concrete Products Group	40,884	45,696
Paper Group	61,772	62,145
Sugar Operations	31,775	31,202
Oil and Gas Operations	5,110	5,146
Other	13,792	15,959
Consolidated net sales and revenues	**$885,172**	**$735,562**
CONTRIBUTION TO OPERATING INCOME:		
Mineral and Fiber Products Group	(b)$ 34,111	$ 14,939
Pipe Products Group	26,361	23,513
Homebuilding Group	19,458	16,815
Metal and Wood Products Group	(b)10,843	9,265
Stone and Concrete Products Group	1,697	1,857
Paper Group	1,989	1,262
Sugar Operations	869	2,481
Oil and Gas Operations	1,195	1,906
Other	1,556	812
Savings and Loan Operations (c)	2,600	2,002
	100,679	**74,852**
Less-Unallocated corporate interest and other expense	(21,037)	(15,670)
Income taxes	(35,074)	(24,442)
Consolidated net income	**$44,568**	**$ 34,740**

(a) Restated to reflect acquisitions accounted for as poolings of interests.

(b) Includes operations of Panacon Corporation from April 1972, accounted for as a purchase.

(c) Unconsolidated subsidiary.

JOSLYN MFG. AND SUPPLY CO. (DEC)

Consolidated Statement of Income

NET SALES:	
Electrical products	$ 82,448,568
Stainless steel products	31,444,997
All other	8,814,924
Total	**$122,708,489**
COSTS AND EXPENSES:	
Cost of goods sold	$ 98,682,233
Warehouse, selling, administrative and general expenses	13,846,435
Contribution to profit-sharing plans	1,318,049
Interest expense	1,233,465
Gain on sale of plant and equipment, net	(261,336)
Total	**$114,818,846**
INCOME BEFORE INCOME TAXES:	
Electrical products	$ 6,297,417
Stainless steel products	1,036,149
All other	556,077
Total	**$ 7,889,643**

JOY MANUFACTURING COMPANY (SEP)

Consolidated Statement of Income and Retained Earnings

REVENUES		
Net sales	$323,801,000	$300,850,000
Other	1,519,000	2,574,000
Total Revenues	**325,320,000**	**303,424,000**
Net Income ($2.70 and $3.26 per share)	13,936,000	15,528,000
RETAINED EARNINGS		
At beginning of year	105,033,000	96,251,000
	119,019,000	**111,779,000**
Dividends declared—$1.40 per share	(7,259,000)	(6,746,000)
At end of year	**$111,760,000**	**$105,033,000**

*Net Sales and *Income by Lines of Business*

The following table sets forth the Company's net sales and Income* for each line of business for the last two fiscal years. Generally, corporate costs and expenses have been allocated to each line of business on the basis of sales or investment employed depending on the nature of the item.

	Year Ended Sep 29, 1972		**Year Ended Sep 24, 1971**	
	($ thousands)			
	Net Sales	*Income	Net Sales	*Income
Mining Systems Equipment	$157,096	$19,622	$149,673	$20,434
Industrial and General Products	67,964	2,304	72,699	2,647
Air Pollution Control Equipment	62,679	(1,852)	40,610	3,636
Ore Processing and Oil Tool Products	36,062	3,610	37,868	4,507
	$323,001	**$23,684**	**$300,850**	**$31,224**

*Before income taxes and extraordinary item.

McGRAW-HILL, INC. (DEC)

Notes to Consolidated Financial Statements

Note 3: Revenue and income by organizational unit

	1972	**1971**
	($ thousand)	
OPERATING REVENUE:		
Books and education services	$204,503	$200,586
Publications and research services	120,894	117,800
Information systems	55,685	52,661
Financial services	36,796	33,897
Broadcasting operations	12,204	---
	$430,082	**$404,944**
INCOME BEFORE FEDERAL INCOME TAXES, MINORITY INTERESTS, AND EXTRAORDINARY ITEMS:		
Books and education services	$19,538	$20,859
Publications and research services	6,766	2,969
Information systems	10,896	10,298
Financial services	3,737	2,890
Broadcasting operations	1,397	---
	$42,334	**$37,016**

To arrive at an approximation of income before federal income taxes, minority interests, and extraordinary items by organizational unit for purposes of the above presentation, common costs generally have been allocated to organizational units on the basis of operating revenue, with the exception of interest on the unamortized purchase price for the television stations, which has been charged directly against Broadcasting operations.

Income from investment advisory services is less than one per cent of consolidated operating revenue.

OLIN CORPORATION (DEC)

Lines of Business (page 2)

	Continuing Operations			
	1972		**1972**	
	($ millions)			
	Net Sales and Operating Revenues		Pre-tax *Income	
Brass Group	$211.0	19%	$22.7	27%
Chemicals Group	$329.1	30%	$21.2	26%
Fine Paper & Film Group	$94.0	9%	$6.5	8%
Olinkraft, Inc	$213.5	19%	$23.8	29%
Winchester Group	$250.7	23%	$2.7	3%
Olin-American, Inc., at equity	---	---	$6.2	7%

*Excluding $25,300,000 ($17,700,000 in 1971) for certain interest and other amounts not allocated to operating groups and subsidiaries.

THE SHERWIN-WILLIAMS COMPANY (AUG)

Financial Review

The following table presents sales and pretax income for each of the operating groups for the fiscal years 1972 and 1971, and the changes that occurred in 1972 when compared to 1971. The income figures have been computed after full absorption by each of the units of all direct and indirect costs and allocation to those units of all corporate costs including interest, pension and general administrative expenses. Since all costs have been fully reflected in the operations of each unit, the total of the income figures agrees exactly with the income before income taxes and extraordinary charge reported in the Statements of Consolidated Income. (1971 columns omitted for presentation purposes)

	1972				**Change**	
			($ thousand)			
	Sales	Percent of Total	Income Before Taxes	Percent of Total	Sales	Income Before Taxes
Coatings	$478,678	72.7%	$28,971	74.8%	$52,887	$5,379
Auxiliaries	60,057	9.1%	9,548	24.6%	9,640	2,472
Chemicals:						
Continuing operations	39,616	6.0%	-1,304	-3.3%	5,165	561
Discontinued operations	9,760	1.5%	-2,353	-6.1%	-7,853	323
Total Chemicals	**49,376**	**7.5%**	**-3,657**	**-9.4%**	**-2,688**	**884**
Sherwin-Williams Canada	40,970	6.2%	897	2.3%	4,001	379
Sprayon	16,923	2.6%	1,892	4.9%	2,642	464
International	12,281	1.9%	1,094	2.8%	834	-237
Total	**$658,285**	**100.0%**	**$38,745**	**100.0%**	**$67,316**	**$9,341**

Beginning with 1972, The Sherwin-Williams Company of Canada, Limited, a majority-owned subsidiary (74% of common stock), has been included in the consolidated financial statements, as well as the Five-Year Comparison. In accordance with generally accepted accounting practices, the various statements include sales and other accounts at full value, before provision for minority interest. Net income before taxes, as reported in the above table, gives effect to the minority interest adjustment and, therefore, properly represents the parent Company's share of that income.

Certain Chemicals operations were discontinued in 1971 and others in 1972. In order to present a clear picture of the effect of these decisions on operating results, total Chemicals sales and losses before taxes have been separated into those associated with continuing operations and those resulting from operations that have been discontinued.

THE WILLIAMS COMPANIES (DEC)

Profit Center Earnings— In keeping with the trend toward more informative financial reports, the following summary of profit center operating data is presented. Such data is particularly appropriate and meaningful for a company as diversified as The Williams Companies.

	1972		1971	
	($ millions)			
	Revenues	Operating Earnings	Revenues	Operating Earnings
Agrico Chemical Company	$205.4	$17.7	$50.5	$3.7
Williams Brothers Pipe Line Company	61.3	29.0	57.3	27.1
Williams International Group	82.1	12.0	72.7	10.7
Williams Energy Company	46.9	6.7	41.4	6.4
Edgcomb Steel Company	100.7	7.8	86.4	6.8
Valley Distributing Company	47.2	4.8	27.8	2.4
Pacific Merchandising Group	34.3	1.7	33.9	1.8
Colonial Insurance Company		2.4		2.0
The Resource Sciences Corporation (sold in 1971)			42.4	1.5
Investment Income		10.9		9.3
Totals	**$577.9**	**93.0**	**$412.4**	**71.7**
Corporate headquarters expense not assigned and other income and expense, net		(1.9)		(1.5)
Interest and debt expense		(33.0)		(24.7)
Income taxes		(20.1)		(15.7)
Income before extraordinary items		**$38.0**		**$29.8**

*Operating earnings by profit center are based upon directly identifiable revenues, operating costs and general and administrative expense and certain general and administrative expenses of corporate headquarters representing charges for services performed. In 1972, the method of allocating and charging corporate general and administrative expenses was modified to give more specific effect to revenue and earnings levels of individual profit centers resulting in generally higher allocations. Amounts for 1971 have been restated on a comparable basis with the method employed in 1972.

Profit Center Assets

**Total assets of individual profit centers exclude funds used for short, interim and long-term investment purposes; such funds are included in Investment Income assets.

TABLE 1-15: CONSOLIDATION POLICIES—DOMESTIC AND CANADIAN SUBSIDIARIES

Exclusions From Consolidation.	**1972**	**1971**	**1970**	**1969**
Based on nature of business:				
Finance Related*	128	123	104	97
Real estate	25	25	19	13
Other	7	23	14	21
Subsidiaries less than 100% owned	24	28	47	41
Canadian subsidiaries	–	5	4	8
Insignificant or inactive subsidiaries	52	75	58	67
Other, or basis not stated	16	14	30	19
Total	**252**	**293**	**276**	**266**
Number of Companies				
All domestic and Canadian subsidiaries consolidated	398	382	376	376
Some domestic and Canadian subsidiaries not consolidated	191	205	207	201
No indication of domestic or Canadian Subsidiaries, or no consolidated statements	11	13	17	23
Total	**600**	**600**	**600**	**600**

*See Table 1-16.

TABLE 1-16: CONSOLIDATION POLICIES—DOMESTIC AND CANADIAN SUBSIDIARIES ENGAGED IN FINANCE OPERATIONS

Type of Subsidiary—1972	**Consolidated**	**Not consolidated**	**Total**
Finance companies	19	76	95
Insurance companies	1	21	22
Banks	–	16	16
Leasing companies	2	15	17
Totals	**22**	**128**	**150**

Number of Companies	**1972**	**1971**	**1970**	**1969**
Consolidating all finance-related subsidiaries	15	21	33	41
Excluding from consolidation all finance-related subsidiaries	100	96	79	67
Consolidating some but not all, finance-related subsidiaries	4	3	4	10
No domestic or Canadian finance-related subsidiaries	481	480	484	482
Total	**600**	**600**	**600**	**600**

CONSOLIDATION OF SUBSIDIARIES

ARB 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.

Paragraphs 2 and 3 of *ARB No. 51* and paragraph 8, Chapter 12 of *ARB No. 43* discuss circumstances under which a subsidiary should not be consolidated.

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 1-15 and 1-17 summarize respectively the consolidation policies regarding domestic and Canadian subsidiaries and foreign subsidiaries. Table 1-16 complements Table 1-15 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 per cent owned by its parent company.

TABLE 1-17: CONSOLIDATION POLICIES-FOREIGN SUBSIDIARIES

Exclusions from Consolidation	1972	1971	1970	1969
All foreign subsidiaries	20	29	33	47
Foreign subsidiaries in certain countries	21	23	17	23
Subsidiaries less than 100% owned	19	27	43	35
Based on nature of business	12	13	8	16
Insignificant or inactive subsidiaries	53	61	49	65
Other bases	6	7	9	7
Basis for exclusion not stated	12	9	27	18
Total	**143**	**169**	**186**	**211**
Number of Companies				
All foreign subsidiaries consolidated	248	229	185	177
Some foreign subsidiaries not consolidated	122	125	144	143
Consolidation policy not determinable	-	2	14	20
No foreign subsidiaries consolidated	20	29	33	47
No indication of foreign subsidiaries	210	215	224	213
Total	**600**	**600**	**600**	**600**

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

Exclusion Based On Geography

THE CARBORUNDUM COMPANY (DEC)

1972 Financial Review

Summary of Significant Accounting Policies (in part) – The more important accounting policies employed in the preparation of the consolidated financial statements are summarized below.

Parent company financial statements are consolidated with those of all majority-owned subsidiaries except one in Argentina, excluded primarily because of unsettled economic conditions and currency exchange restrictions.

Consolidated Subsidiaries Outside North America— assets, liabilities, net sales and net income of consolidated subsidiaries located outside North America, principally in Great Britain and Western Europe, without giving effect to eliminations arising from transactions between these subsidiaries and consolidated companies located in North America, are summarized below:

	1972	1971
	($ millions)	
Assets		
Current	$59.1	$62.5
Properties and other	36.1	37.2
	95.2	**99.7**
Less Liabilities		
Current	27.6	32.1
Long-term	9.8	9.4
	37.4	**41.5**
Net Assets	$57.8	$58.2
Net sales	$107.2	$96.5
Net income	6.3	9.0
Dividends from these subsidiaries to companies in the United States	5.8	1.9

No allocation was made to the subsidiaries operating outside North America of administrative and research and development expenses incurred by The Carborundum Company.

DRESSER INDUSTRIES, INC. (OCT)

Summary of Significant Accounting Policies

Consolidation—All majority-owned subsidiaries, other than financial service companies and foreign companies whose earnings are subject to material financial or political risks, are consolidated. All significant intercompany accounts and transactions are eliminated.

Investments in unconsolidated subsidiaries and in 20-50% owned affiliates, in which the Company exercises significant influence over financial and operating policies, are reported at cost plus the Company's equity in undistributed earnings. However, foreign earnings which are subject to material financial or political risks are reserved until remitted in U.S. dollars.

Notes to Consolidated Financial Statements

Note A: Principles of consolidation and foreign subsidiaries—The consolidated financial statements include the accounts of all majority-owned subsidiaries except two domestic financing companies and two foreign subsidiaries, which in the aggregate are not significant. See Summary of Significant Accounting Policies—Consolidation.

Net assets of consolidated foreign subsidiaries at October 31, 1972, are summarized as follows (in thousands):

	Canada	Europe	Other	Total
Current assets	$29,934	$59,521	$51,837	$141,292
Current liabilities	7,323	36,181	22,049	65,553
Net Current Assets	**22,611**	**23,340**	**29,788**	**75,739**
Fixed and other assets	9,779	31,800	14,191	55,770
Long-term debt and deferred liabilities	(554)	(11,019)	(2,614)	(14,187)
Net Assets	**$31,836**	**$44,121**	**$41,365**	**$117,322**

Net earnings of consolidated foreign subsidiaries after provision for deferred Federal income taxes on unremitted foreign earnings amounted to $13,794,000 in 1972 and $11,097,000 in 1971.

FOOTE MINERAL COMPANY (DEC)

Notes to Financial Statements

Note (1) (in part): Summary of Significant Accounting Policies: Consolidation Policy—The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries except for the subsidiary in Rhodesia which is carried at cost. Significant intercompany transactions and accounts are eliminated. The Company carries its investment in a 50 percent owned foreign joint venture at its equity in the net assets.

Note (2): Investment in Foreign Subsidiary—Rhodesian Vanadium Corporation is a wholly-owned subsidiary (incorporated in Delaware) which is carried at cost in the accompanying financial statements. Two Executive Orders issued by the President of the United States in 1967 and 1968 have prohibited the Company from exercising effective control over the operations of the subsidiary. Additionally, in January of 1968 the Rhodesian Government issued a mandate on the subsidiary with the same effect. In November 1971, Section 503 of the Military Procurement Act of 1972 was passed by Congress and signed by the President which prohibits the United States from placing an embargo on the importation of any strategic material which may also be imported from communist dominated countries. This Section has permitted the importation of chrome ore from Rhodesia since January 1, 1972. All other aspects of the Executive Orders regarding Rhodesia remain in effect until further action by the President. Rhodesian chrome ore has been imported from this subsidiary during 1972, some of which was applied to reduce the Company's investment.

In the opinion of Management, the Rhodesian current assets may be recovered without substantial loss at such time as the economic sanctions against that country are resolved.

Certain financial information with respect to this unconsolidated foreign subsidiary is presented below:

	1972	**1971**
Net current assets	$813,643	1,406,868
Property, plant and equipment	1,723,262	809,341

At December 31, 1972 and 1971, the excess of the Company's equity over its cost of the unconsolidated foreign subsidiary amounts to $857,335 and $857,341, respectively.

HARNISCHFEGER CORPORATION (OCT)

Financial Notes

Note 1 (in part): Summary of Accounting Policies: Consolidation—The consolidated financial statements include the accounts of all wholly-owned subsidiaries except Harnischfeger Credit Corporation, which is recorded on the equity method of accounting, and a Brazilian subsidiary, which is carried at cost because of foreign investment controls in that country and the vulnerability of that investment to inflationary losses. All other investments in which the Company ownership is 20% or more are carried on the equity method of accounting and investments of less than 20% ownership are carried at cost or assigned value. Intercompany transactions have been eliminated in the consolidated financial statements.

The accounts of foreign companies consolidated or recorded on the equity method of accounting are translated into U.S. dollars at appropriate rates of exchange. Resulting translation gains or losses are credited or charged to income on a current basis.

ST. JOE MINERALS CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Principles of Consolidation-The accompanying consolidated financial statements include the accounts of the Corporation and all subsidiaries except those operating in South America (see Note 4) All significant intercompany transactions and balances are eliminated.

Note 4: Subsidiaries Not Consolidated—The Corporation's South American subsidiaries operate in Argentina (Compania Minera Aguilar, S.A., 99% owned) and Peru (Compania Minerates Santander, Inc., 98% owned). The former is carried in the consolidated balance sheet at nominal value, and the latter is carried at cost which is substantially below equity.

Exclusion Based On Ownership

LIBBEY-OWENS-FORD COMPANY (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Statement of Accounting Policies: Principals of Consolidation—The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant intercompany transactions are eliminated. Minority interests in companies located in Australia, England, Japan, India, Mexico and Spain are carried at the Company's equity therein. Also carried at equity is the investment in a 98%-owned Brazilian subsidiary.

Translation of Foreign Currencies—The accounts of consolidated foreign subsidiaries (located in Canada, England, France, Germany, Italy, Sweden and Switzerland, currencies of which are freely convertible) have been translated to United States dollars at appropriate rates of exchange using the current/non-current translation method. Net adjustments resulting from realignment of foreign currencies which amounted to $940,000 in 1971 and a lesser amount in 1972 have been deferred in a reserve for foreign exchange fluctuations. The balance of the reserve at December 31, 1972, was $1,059,000. Translation gains or losses other than realignment of foreign currency exchanges are reflected in earnings.

Exclusion Based On Nature Of Business

ASSOCIATED DRY GOODS CORPORATION (JAN)

Notes to Consolidated Financial Statements

Note A (in part): Accounting Policies:

1. Principles of Consolidation—The consolidated financial statements include the accounts of Associated Dry Goods Corporation and all of its subsidiaries, except Associated Dry Goods Credit Corporation. The Corporation's investment in the credit subsidiary is carried at equity in its net assets. All other material intercompany accounts and transactions have been eliminated. Individual condensed balance sheets of Associated Dry Goods Corporation and its consolidated operating subsidiaries, the wholly-owned real estate subsidiaries and Associated Dry Goods Credit Corporation are presented in Note C.

2. Associated Dry Goods Credit Corporation—Associated Dry Goods Credit Corporation (wholly-owned) was formed 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. All of the revenue of the credit subsidiary is derived from the Corporation. The earnings before taxes of the credit subsidiary are deducted from interest expense in the consolidated statement of earnings, with the provision for taxes of the subsidiary included in federal income taxes in the consolidated statement of earnings.

THE BENDIX CORPORATION (SEP)

Basis of Financial Statements

Consolidated Financial Statements and Related Matters—The consolidated financial statements for the two years ended September 30, 1972 comprise those of the Corporation and all of its subsidiaries, except for its insurance and finance subsidiaries (which were organized during fiscal 1971). Equity in earnings of the nonconsolidated insurance and finance subsidiaries and associated companies (where the Corporation's equity investments enable the use of significant influence over operating and financial policies) is included in consolidated income currently. The financial statements of subsidiaries outside the United States and Canada generally are included in the consolidated financial statements on the basis of fiscal years ending on August 31.

Financial statements of foreign companies included in the accompanying consolidated financial statements have been translated into United States dollar equivalents at free market rates of exchange; land, buildings, and equipment and related accumulated depreciation (and provisions thereto) are translated at historical rates and other balances generally are translated at rates prevailing during the respective periods. Gains and losses resulting from translation of the financial statements of foreign companies have been credited or charged to income during the respective periods.

During fiscal 1972, a Domestic International Sales Corporation (DISC) was incorporated to avail the Corporation of certain United States income tax benefits relating to export activities as permitted by the Revenue Act of 1971.

Notes to Consolidated Financial Statements

Foreign Operations—Net assets, net sales, and net income from companies outside the United States and Canada included in the consolidated financial statements as of September 30 are summarized below:

1972
($ millions)

	Europe	Latin America	Australia	Other	Total
Current assets	$118.3	$14.3	$10.4	$3.2	$146.2
Other assets	119.2	9.4	6.8	2.3	137.7
Total	**237.5**	**23.7**	**17.2**	**5.5**	**283.9**
Liabilities	130.7	10.2	8.9	3.5	153.3
Minority interests	48.9		1.1		50.0
Total	**179.6**	**10.2**	**10.0**	**3.5**	**203.3**
Net assets	$ 57.9	$13.5	$ 7.2	$2.0	$ 80.6
Net sales of subsidiaries outside the U.S. and Canada					$327.5
Net income from companies outside the U.S. and Canada					$ 4.3

CUMMINS ENGINE COMPANY, INC. (DEC)

Notes to Consolidated Financial Statements

Summary of Accounting Policies (in part): Consolidation—The financial statements of all wholly owned subsidiaries, except an international bank, are included in the consolidated financial statements. Investments in unconsolidated and partially owned companies are recorded at cost and adjusted to reflect Cummins' share of the earnings or losses of those companies.

Note 1: Foreign Operations—Net assets of consolidated subsidiaries and branches located outside of the United States at December 31, 1972, consisted of:

($ millions)

	Net current assets	Non current assets	Long-term debt	Net assets
United Kingdom	$ 8.6	$20.8	$12.1	$16.3
Latin America	8.2	19.3	13.9	13.6
Other	4.5	1.8	--	6.3
	$21.3	**$41.9**	**$27.0**	**$36.2**
Investments in unconsolidated companies outside the United States				$ 6.5

Sales to customers located outside of the United States were approximately $143 million in 1972 and $135 million in 1971. Of these sales, approximately 56% in 1972 and 58% in 1971 were exports from the U.S.

Products of manufacturing subsidiaries located outside of the United States include, in most instances, components manufactured in the United States by Cummins and sold to the foreign subsidiaries at intercompany prices. The earnings of these subsidiaries do not bear any definite relationship to their net assets and thus are not reported separately.

Note 2: Unconsolidated Companies—Investments in unconsolidated companies are recorded at cost, adjusted to include Cummins' share of earnings and losses. At December 31, 1972, the carrying value of investments in unconsolidated companies was $8.3 million which is approximately $.8 million greater than equity in the net assets of those investments. The difference is primarily the cost of the international bank in excess of acquired net tangible assets, not being amortized.

	Location	Ownership
Transinterbank Inc.	Switz.	100%
Komatsu-Cummins Sales Company Ltd.	Japan	51%
Kirloskar Cummins Ltd.	India	50%
Irish Agricultural Development Company Ltd.	Ireland	33%
Cummins Nordeste S.A.	Brazil	33%
Diesel Recon, Inc.	U.S.	31%
Cummins Sundstrand Inc.	U.S.	20%

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

Notes to Financial Statements

Note A (in part): Accounting Policies: Principles of Consolidation—The financial statements include, on a consolidated basis, the accounts of the Corporation and its United States subsidiaries, except those engaged in banking, finance leasing, ocean shipping, and real estate operations. The Corporation's investments in and the operating results of all unconsolidated subsidiaries and a 45%-owned affiliate are included in the statements on the basis of the equity method.

Note B: Investments in Unconsolidated Subsidiaries—The Corporation's investments in and advances to unconsolidated subsidiaries at December 31, 1972 and 1971 consisted of the following:

	Dec 31, 1972		Dec 31, 1971	
	($ thousands)			
	United States	Outside The United States	United States	Outside The United States
Banking and finance leasing	$44,605	$18,969	$39,126	$20,059
Ocean shipping	12,157	28,340	11,578	22,055
Other services, manufacturing and real estate	9,572	17,805	6,026	16,831
	$66,334	**$65,114**	**$56,730**	**$58,945**

The Corporation's equity in undistributed net income (1972—$11,579,000; 1971—$11,712,000) of unconsolidated subsidiaries for 1972 and 1971 were as follows:

	Year Ended December 31			
	1972		1971	
	($ thousands)			
	United States	Outside The United States	United States	Outside The United States
Equity in net income (loss*):				
Banking and finance leasing ..	$6,503	$2,387	$6,418	$2,531
Ocean shipping	1,197	2,677	978	2,292
Other services, manufacturing and real estate	*37	2,798	53	1,547
	7,663	**7,862**	**7,449**	**6,370**
Less dividends received	1,091	2,855	1,083	1,069
Equity in Undistributed Net Income	**$6,572**	**$5,007**	**$6,411**	**$5,301**

HONEYWELL INC. (DEC)

Summary of Significant Accounting Policies

Consolidation—The financial statements and accompanying data in this report include a consolidation of Honeywell Inc. and subsidiaries except finance and real estate affiliates whose financial operations are dissimilar to manufacturing operations of the consolidated group. All consolidated subsidiaries are wholly-owned except for Honeywell Information Systems Inc. (HIS) which is owned 81.5% and the Honeywell Bull companies (formerly Compagnie Honeywell Bull, S.A. and Societe Industrielle Honeywell Bull, S.A. and subsidiaries) which are owned 66% by HIS. All material transactions between the parent and affiliated companies are eliminated in consolidation.

Honeywell's investment in nonconsolidated subsidiaries and companies owned 50% or less is adjusted to reflect its equity in accumulated undistributed net income.

In the Summary of Income, the income before taxes of nonconsolidated finance companies has been offset against interest expense and the related income taxes are included in the provision for income taxes.

Notes to Financial Statements

Note 3: Foreign Subsidiaries—Following is a summary of financial data pertaining to consolidated foreign subsidiaries:

	1972	1971
	($ thousands)	
Total assets	**$982,688**	**$1,016,531**
Liabilities and minority interests	696,983	778,448
Equity in net assets	**$285,705**	**$ 238,083**
Sales, rental and service revenues	$819,841	$ 731,364
Equity in net income (including extraordinary items)	$ 30,800	$ 35,108

Insofar as can be reasonably determined, there are no foreign exchange restrictions that materially affect the financial position and the operating results of Honeywell and its subsidiaries; however, certain foreign countries have various exchange control regulations which do not permit ready transfers of funds without appropriate approvals.

Unrealized gains and losses resulting from currency adjustments in 1972 and 1971 were not material in the aggregate.

KOEHRING COMPANY (NOV)

Statement of Accounting Practices

Principles of Consolidation— The consolidated financial statements include the accounts of the Company and all majority owned subsidiaries except the wholly-owned Koehring Finance Corporation. Investments in Koehring Finance Corporation and 50% owned companies are carried at equity in net assets and the applicable years' earnings are included in consolidated profits. All significant intercompany balances and transactions have been eliminated.

The accounts of international subsidiaries (located outside the United States and Canada) have been included on the basis of fiscal years ended October 31. The accounts have been translated into U.S. dollars at the current rates of exchange, except for inventories, property, plant and equipment and related depreciation, and stockholders' equity, which have been translated at approximate rates of exchange at dates of acquisition. The income accounts have been translated at approximately the average of monthly exchange rates. Significant gains or losses resulting from major revaluations of foreign currencies are reported as extraordinary items in the Consolidated Statement of Earnings. Other gains or losses resulting from currency fluctuations are included in earnings before extraordinary items, and are minor in 1972 and 1971.

Notes to Financial Statements

Note (3) International Operations— Data with respect to consolidated international subsidiaries (located outside the United States, Puerto Rico and Canada) follows:

	1972	1971
	($ thousands)	
Net current assets (working capital)	$16,800	$21,200
Koehring Company equity in net assets (including approximately $6,900,000 of excess cost of acquired companies over related equity)	20,600	21,400
Net shipments	58,800	49,600
Koehring Company equity in net earnings (loss) (including extraordinary charges of $2,900,000 in 1972 and extraordinary credits of $1,800,000 in 1971)	(2,300)	2,295

Exclusion Based On Lack Of Control

PEPSICO, INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Principles of Consolidation— All domestic and foreign subsidiaries, except Rheingold Corp. and leasing subsidiaries, have been consolidated. Rheingold Corp., which was 82 percent owned at December 30, 1972, is carried at cost as described in Note 2. Leasing subsidiaries are carried at equity, with condensed financial information on these companies shown in Note 10.

Note 2: Rheingold Corp.— In late 1972, 82 percent of the voting common stock of Rheingold Corp. was acquired in a cash tender for $59,947,000. Rheingold's principal activities consist of soft drink (including bottling of PepsiCo products) and brewery operations. PepsiCo has no intention to continue in the brewery business on a long-term basis, and it is anticipated that the financial results of the brewery operations and of their ultimate divestiture will be accounted for as an adjustment of the cost of acquiring the soft drink operations. Information published by Rheingold indicates that its soft drink operations had sales of approximately $70,000,000 in 1971.

The Federal Trade Commission has instituted proceedings against PepsiCo charging that its acquisition of Rheingold violates antitrust laws, citing that a portion of Rheingold's soft drink business, accounting for less than two percent of its sales, consists of the manufacture of concentrates for flavored products. The final outcome of these proceedings cannot be predicted.

Because assumption of control of Rheingold has been delayed and because PepsiCo has not had access to sufficient financial information regarding Rheingold to enable its inclusion in the consolidated financial statements, the investment in Rheingold is carried in the accompanying consolidated balance sheet at cost and the operations of Rheingold are not included in the 1972 consolidated operating results. Based on presently available information, PepsiCo believes that the inclusion of Rheingold's soft drink operations on a pro forma basis for the entire year 1972 would not have a material effect on consolidated operating results.

Consolidation Of All Subsidiaries

THE AMERICAN DISTILLING COMPANY (SEP)

Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation— The consolidated financial statements include the accounts of the Company and its subsidiaries (all wholly-owned). Intercompany balances, transactions and profits are eliminated. The subsidiaries had gross revenues of $1,349,799 and net earnings of $41,654 for 1972 ($1,766,450 and $76,905 respectively for 1971) which was equivalent to $0.03 per share on the average shares outstanding during 1972 ($0.05 for 1971).

The Company owns 50% of the stock of another company which it purchased for $12,833 and has advanced $237,167 to it, which amount is subordinated to that Company's other creditors' accounts and claims. This investment is accounted for under the equity method and is carried at an amount equal to the Company's equity in the net assets (unaudited) of this 50%-owned company. The Company had guaranteed bank loans to this 50%-owned company in the amount of $800,000 at September 30, 1972.

ARMSTRONG CORK COMPANY (DEC)

Financial Review

The consolidated financial statements and the accompanying data in this report include the accounts of the parent Armstrong Cork Company and its domestic and foreign subsidiaries. All significant items relating to transactions between parent and subsidiaries and between subsidiaries are eliminated from consolidated statements. The parent company adjusts the carrying value of its investment in subsidiaries to reflect changes in net equity of such subsidiaries.

Consolidated Foreign Subsidiaries— Significant Assets and Liabilities at December 31

	1972	1971
	($ millions)	
Current assets	$ 50,171	$49,005
Current liabilities	24,845	29,490
Net working capital	**25,326**	**19,515**
Plant and other assets	45,330	43,496
Long-term debt	21,850	17,564

Net Sales and Earnings for years ended December 31.

	1972	1971
	($ millions)	
Net sales	$101,767	$84,491
Earnings before exchange adjustments and income taxes	11,023	9,023
Net earnings	5,144	5,883

GRUEN INDUSTRIES, INC. (MAR)

Notes To Consolidated Financial Statements

Note 1: Principles of Consolidation— The consolidated financial statements include the accounts of all subsidiaries, all of which are wholly owned and are located in Canada and Switzerland. At March 31, 1972, the subsidiaries' net assets were approximately $1,906,000 including unrealized gains of $153,000 resulting from revaluation of the U.S. dollar. Their combined net loss for fiscal 1972 was approximately $493,000 as compared to net income of $105,000 in fiscal 1971.

HELENA RUBINSTEIN, INC. (DEC)

Notes To The Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Principles of Consolidation—The consolidated financial statements include the accounts of Helena Rubinstein, Inc. and all its subsidiaries.

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

Note 2: Geographic Information—The division by geographic areas of the 1972 and 1971 consolidated net assets, net sales and income before taxes on income, and in 1971 extraordinary items, after eliminating against the seller companies the intercompany sales and profits on intercompany transactions, is shown below:

	Net Assets	Net Sales	Income (Loss) (A)
		1972	
United States	$5,897,748	$37,795,795	($3,983.786)
Latin America	7,222,868	13,105,197	1,700,375
Continental Europe	23,627,580	23,721,760	5,112,851(B)
Commonwealth and other Countries	12,004,973	23,675,826	1,845,417
	$48,753,169	$98,298,578	$4,674,857
		1971	
United States	$10,331,020	$34,671,195	$774,949
Latin America	6,442,682	12,594,178	1,774,671
Continental Europe	20,294,320	15,286,281	4,036,686(B)
Commonwealth and other Countries	11,789,698	21,501,370	1,733,978
	$48,857,720	$84,053,024	$8,320,284

(A) Before taxes on income and, in 1971, extraordinary items.

(B) Includes interest income of $703,721 and $661,535 in 1972 and 1971 respectively.

The balance of retained earnings at December 31, 1972 includes approximately $4,500,000 ($4,300,000—1971) of statutory reserves and capitalized earnings of foreign subsidiaries.

The Company is subject to and has complied with the regulations of the U.S. Department of Commerce, Office of Foreign Direct Investment, which govern investments in foreign countries and repatriation of foreign earnings.

Consolidation of All Significant Subsidiaries

GAF CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Principles of consolidation—The accounts of all significant subsidiaries of the Company are included in the consolidated financial statements. Certain amounts for 1971 have been reclassified to conform with 1972 classifications. Current assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates, other assets and liabilities at historical exchange rates, and operating accounts generally at average exchange rates for each year.

Note 2: Foreign Operations—The consolidated balance sheet includes the following amounts with respect to foreign subsidiaries (all of which are wholly-owned):

	1972	1971
	($thousands)	
Current assets	$42,001	$38,986
Other assets	12,571	5,576
Total assets	**54,572**	**44,562**
Current liabilities	20,162	13,195
Other liabilities	2,629	2,159
Total liabilities	**22,791**	**15,354**
Net assets	$31,781	$29,208

The statement of consolidated income includes the following amounts with respect to foreign subsidiaries:

	1972	1971
	($thousands)	
Revenues	$78,996	$65,040
Income before extraordinary credits	2,576	3,126
Extraordinary credits	---	1,153
Net income	2,576	4,279

COMMERCIAL SOLVENTS CORPORATION (DEC)

Notes to Financial Statements

Summary of Accounting Policies (in part): Principles of Consolidation— The consolidated financial statements include the accounts of all material majority-owned subsidiaries and an undivided one-half interest in an unincorporated joint venture. Immaterial majority-owned subsidiaries not consolidated and all other investments (except the investment in Northwest Nitro-Chemicals Ltd.) in companies in which Commercial Solvents Corporation ("CSC") owns 20% or more of the voting stock are carried at cost plus equity in undistributed net earnings since acquisition.

In 1972, CSC adopted the policy of consolidating the accounts of its 51% owned Italian pharmaceutical company, Istituto Chemioterapico Italiano, S.p.A. ("Istituto"). Accordingly, the consolidated financial statements have been restated to include the accounts of Istituto. The restatement does not affect CSC's net earnings since the statement of earnings for 1971, as previously reported, included the Company's equity in Istituto's 1971 net earnings.

Current assets and liabilities recorded in the accounts of consolidated foreign subsidiaries are expressed in U.S. dollars at current rates of exchange; long-term assets and liabilities are expressed in U.S. dollars at historical rates of exchange; profit and loss items are expressed in U.S. dollars at the rates of exchange which prevailed during the period. Gains and losses resulting from the translation of amounts recorded in the accounts of consolidated foreign subsidiaries are recognized in the period in which they arise. There is no adverse financial impact to the 1972 financial statements as a result of the United States dollar devaluation of February 12, 1973.

KIMBERLY-CLARK CORPORATION (DEC)

Accounting Policies

Consolidation Policy—The consolidated financial statements include the accounts of all significant subsidiaries more than 50% owned and controlled by Kimberly-Clark Corporation (the Corporation). These subsidiaries are referred to as consolidated subsidiaries.

The Corporation uses the equity method of accounting with respect to significant companies whose operating and financial policies are significantly influenced by the Corporation, but only if such companies are at least 20 percent owned by the Corporation and are not consolidated subsidiaries. These companies are referred to as equity companies. The consolidated financial statements include in net income the Corporation's share of the net income of equity companies and the Corporation's investments in such companies are stated on the equity basis.

The Corporation's investments in companies which are neither consolidated nor equity companies are stated at cost, and income from these companies is included in consolidated net income only as dividends are received.

Notes to Financial Statements

Operations Outside the United States (in part):

Consolidated Companies *($ thousands)*

			Net Income	
	Total Assets	*Net Sales*	*Before Minority Interests*	*After Minority Interests*
Canada	$ 78,412	$ 83,239	$ 2,786	$2,786
Europe	119,845	126,132	3,285	1,971
Latin America	63,826	59,887	5,935	3,652
Far East	16,097	13,638	1,227	792
Total	**$278,180**	**$282,896**	**$13,233**	**$9,201**
% to total consolidated	**29**	**28**		**16**

Equity Companies	*($ thousands)*
Corporation's equity in net assets	$34,458
Corporation's equity in net income	4,045

Reduction in Ownership of Kimberly-Clark de Mexico, S.A.—The Corporation has contracted for underwriters to sell to the Mexican public an additional portion of its stock in Kimberly-Clark de Mexico, S.A., and to thereby reduce its ownership from 60 percent to approximately 44 percent. Because of this sale, the company will be accounted for as an equity company effective January 1, 1973. In 1972, total assets and net sales of Kimberly-Clark de Mexico, S.A., as consolidated in the Corporation's financial statements, were $54.1 million and $50.9 million respectively; net income was $5.8 million before adjustment for minority interests. A gain expected on the sale will be accounted for in 1973.

UNION CARBIDE CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Principles of Consolidation—The consolidated financial statements include the assets, liabilities, revenues, and expenses of all significant subsidiaries. Investments in significant companies 20 to 50 per cent owned are carried at equity in net assets, and Union Carbide's share of their earnings is included in the income statement. Intercompany transactions have been eliminated. Other investments are carried at cost or less.

Note 2: International Operations—The following is a financial summary of consolidated international subsidiaries and international companies carried at equity:

	1972		**1971**	
	($ millions)			
	Consolidated Subsidiaries	Companies Carried at Equity	Consolidated Subsidiaries	Companies Carried at Equity
Total Assets	$1,171.2	$362.5	$1,066.3	$343.5
Less: Total Liabilities	479.3	234.2	440.6	222.3
Net Assets	**691.9**	**128.3**	**625.7**	**121.2**
UCC Equity	$ 588.6	$ 63.8	$ 531.7	$ 60.1
Net Sales	$ 990.8	*$434.4	$ 906.8	*$334.1
Net income	*$ 75.0	$ 6.8	**$ 55.1	**$ 6.6
UCC Share	**$ 59.6	$ 3.3	**$ 41.4	**$ 3.3

*Exclusive of $9.8 million net sales to UCC and its consolidated subsidiaries in 1972 ($7.0 million in 1971).

**In 1972, a wholly owned consolidated subsidiary incurred a net charge of $2.0 million, or $0.03 per share, resulting from a write-off related to fixed assets. In 1971, consolidated subsidiaries includes a net charge of $3.9 million (UCC share $3.8 million, or $0.06 per share); and companies carried at equity includes a net charge of $3.1 million (UCC share $1.6 million, or $0.03 per share) resulting from major revaluations and devaluations of a number of foreign currencies. A company carried at equity had a gain of $2.0 million (UCC share $1.0 million, or $0.02 per share) from sales of real estate. The UCC share of these amounts has been included in extraordinary items.

Fifty Percent Interest In Jointly Owned Facilities Consolidated

ALBERTSON'S, INC. (JAN)

Summary of Significant Accounting Policies

Consolidation—The consolidated financial statements include the results of operations, account balances, and changes in financial position for the Company, its wholly-owned subsidiaries, and its 50% interest in the accounts of Skaggs-Albertson's, an unincorporated joint venture. All material inter-company transactions and balances have been eliminated.

Notes to Consolidated Financial Statements

Skaggs-Albertson's Joint Venture—The Company's 50% interest in the assets, liabilities, income and expense of Skaggs-Albertson's, an unincorporated joint venture, included in the consolidated financial statements are for years ended December 28, 1972 and December 30, 1971, adjusted by advances subsequent to the balance sheet dates.

The operating results of the venture included in the consolidated earnings statements are as follows:

	Albertson's 50% Share	
	53 Weeks Ended Feb 3, 1973	**52 Weeks Ended Apr 1, 1972**
Sales and other revenue	$60,072,082	$35,145,215
Cost of sales	46,830,696	28,272,291
Operating and administrative expenses	11,351,525	6,153,494
	58,182,221	**34,425,785**
Earnings before taxes on income	$ 1,889,861	$ 719,430

The assets and liabilities of the venture included in the consolidated balance sheets are as follows:

	Albertson's 50% Share	
	Feb 3, 1973	**Apr 1, 1972**
ASSETS:		
Current assets	$ 9,828,622	$ 8,200,509
Other assets	1,115	805
Fixtures and equipment (net)	4,365,799	3,188,800
Deferred costs	675,636	608,978
	$14,871,172	**$11,999,092**
LIABILITIES AND OWNERS' EQUITY:		
Current liabilities	$ 4,379,599	$ 3,347,380
Owners' equity	10,491,573	8,651,712
	$14,871,172	**$11,999,092**

ERB LUMBER CO. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies: Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all its subsidiaries, except a mortgage subsidiary which commenced operations in 1972 and is accounted for on the equity method. Assets, liabilities, revenues and net income of this subsidiary were not significant.

Corporate joint ventures (corporate entities in which the Company's investment does not exceed 50% of the outstanding voting stock) are accounted for on the equity method.

The Company's share of assets, liabilities, revenues and expenses of partnership joint ventures has been included in the financial statements in their respective categories.

All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Note 3 (in part): Partnership Joint Ventures—The total assets and liabilities of the various partnership joint ventures and the Company's interest and equity therein are summarized below:

	Total	Company's Interest
Real estate under development and other current assets	$13,534,199	$ 4,616,354
Investments and other assets	1,007,875	307,753
Rental properties, net of depreciation	19,370,541	5,960,540
Amounts due from ERB Lumber Co.	628,042	279,885
Total Assets	**$34,540,657**	**$11,164,532**
Mortgage notes payable, accounts payable, accrued property taxes and other current liabilities	$ 9,990,221	$ 3,087,249
Long-term indebtedness	16,908,446	5,217,713
Amounts owing to ERB Lumber Co.	2,977,333	1,191,596
Partners' equity	4,664,657	1,667,974
Total Liabilities and Partners' Equity	**$34,540,657**	**$11,164,532**

Combined Financial Statements

AMP INCORPORATED AND PAMCOR, INC. (DEC)

COMBINED BALANCE SHEETS

	1972	**1971**
SHAREHOLDERS' EQUITY:		
AMP Incorporated—		
Common stock, withour 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 20,000 shares, issued 20,000 shares	20,000	20,000
Retained earnings	151,231,000	126,219,000
	163,731,000	**138,719,000**
Less—Treasury stock, at cost	435,000	434,000
Total shareholders' equity	**$163,296,000**	**$138,285,000**

Notes to Combined Financial Statements

Note (1) (in part): Summary of Accounting Principles: Principles of Combination—The financial statements of AMP and Pamcor and their subsidiaries (all wholly owned) are combined, as each company is owned beneficially by identical shareholders. Intercompany and affiliated company accounts and transactions, including unrealized profits in inventories, are eliminated in the combination.

Note (2): Pamcor—Pamcor and its subsidiaries have 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 Pamcor common stock. This interest is not transferable separately.

Net income includes net income of Pamcor of $1,467,000 in 1972 and $1,166,000 in 1971. Cash dividends on common stock includes dividends by Pamcor of $614,000 in 1971.

TABLE 1-18: POOLINGS OF INTERESTS

Manner of Presentation	**1972**	**1971**	**1970**	**1969**
Prior year's financial statements restated – all prior years in historical summary restated	32	34	56	70
Prior year's financial statements restated – some but not all prior years in historical summary restated	20	22	26	43
Prior year's financial statements restated – historical summary either not presented or not restated	15	7	15	25
Prior year's financial statements not restated	35	37	42	47
Total Companies	**102**	**100**	**139**	**185**
Information Disclosed				
Operating results of separate companies prior to combination	7	9	N/C	N/C
Reconcilation of previously reported revenues and earnings.	9	9	N/C	N/C

N/C— Not compiled.

TABLE 1-19: PURCHASES

Number of Companies	**1972**	**1971**
Purchase method used to account for a combination	160	133
Treatment of acquired goodwill disclosed	79	63
Supplemental pro forma information presented	39	25

BUSINESS COMBINATIONS

Paragraph 8 of APB *Opinion No. 16* states:

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

The manner of reporting and disclosures required for a pooling of interests and a purchase are described in paragraphs 50 to 65 and 66 to 96, respectively, of *Opinion No. 16*. Tables 1-18 and 1-19 show the number of companies disclosing their accounting treatment of a business combination. Those companies not restating prior year's financial statements for a pooling of interests commented usually that the reason for not doing so was immateriality. Examples of poolings of interests and purchases follow. Additional examples of poolings of interests are also presented in connection with Table 4-5. Examples of business combinations consummated subsequent to the end of a fiscal year are presented in connection with Table 1-22.

Poolings of Interests

THE ARUNDEL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note B (in part): Acquisitions During 1972— On December 27, 1972, the Company's stockholders approved the acquisition of TBS Enterprises, Inc. for which the Company issued 91,963 shares of its common stock in exchange for all of the capital stock of TBS Enterprises, Inc. The transaction was accounted for as a pooling of interests; accordingly, the financial statements for the years ended December 31, 1971 and 1972 include the accounts of the acquired company.

Results of operations of the Company and TBS Enterprises, Inc. for 1972 are as follows (000's omitted):

	Company	TBS	Combined
Revenues	$45,081	$7,426	$52,507
Net Earnings	1,619	431	2,050

A reconciliation follows of net sales and earnings as previously reported by the Company for 1971, with the combined amounts currently presented (000's omitted).

	As Previously Reported		
	Company	TBS	Combined
Revenues	$44.240	$4,859	$49.099
Net Earnings	2,790	221	3,011

BATH INDUSTRIES, INC. (DEC)

Acquisitions— During 1972 the Company acquired Edson Incorporated (April 4), Relax-O-Lounger, Inc. (May 1), J. Isenberg & Son (November 1) and Sunline Furniture Manufacturing Co. (December 1) for a total of 264,246 shares of common stock in transactions accounted for on a pooling of interests basis. Edson is a drapery, bedspread and pillow manufacturer while the other three companies are furniture manufacturers.

During 1971 the Company purchased Coronet Manufacturing Co., Inc. and an affiliated company, Crestview Industries, Inc., (both lamp manufacturers) and Howard Parlor Furniture Co. on June 1, 1971 and July 30, 1971, respectively, for $7,837,000 in cash and notes.

The consolidated financial statements include the accounts of the above acquisitions from the date acquired for purchased companies and for the years ended December 31, 1971 and 1972 for the pooled companies.

The details of the results of operations for the previously separate companies for the period prior to their acquisition are as follows:

	Years Ended December 31,	
	1972	1971
Net Sales:		
Sales of Company excluding those made by pooled companies prior to date of acquisition	$322,504,000	$250.598,000
Sales of pooled companies prior to date of acquisitions	22,685,000	40,281,000
Sales per Consolidated Statements of Income	**345,189,000**	**290,879,000**
Sales of purchased companies from January 1, 1971 to date of acquisition	---	7,647,000
	$345,189,000	**$298,526,000**
Net Income:		
Net Income of Company excluding that of pooled companies prior to date of acquisition	$22,993,000	$12.125,000
Net Income of pooled companies prior to date of acquisition	422,000	(195,000)
Net Income per Consolidated Statements of Income	**23,415,000**	**11,930,000**
Net Income of purchased companies from January 1, 1971 to date of acquisition	---	164,000
	$23,415,000	**$12,094,000**

The inclusion of the net income of the pooled companies for the period prior to their dates of acquisition had the following effect on the reported net income per share of the Company.

Per share of common and common stock equivalents:

	1972	1971
Net Income Per Share excluding that of pooled companies prior to date of acquisition	$2.95	$1.61
Dilution of Net Income Per Share attributable to pooled companies for period prior to dates of acquisition	--	(.08)
Net Income Per Share per Consolidated Statements of Income	**$2.95**	**$1.53**
Net Income Per Share of purchased companies from January 1, 1971 to date of acquisition	--	.02
	$2.95	**$1.55**

The Company does not intend to amortize the portion of Goodwill applicable to companies acquired before October 31, 1970, unless there is an indication of diminution of value; the portion applicable to purchases after that date are being amortized by charges to income on the straight line method over a 40 year period.

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

Notes to Financial Statements

Note 1 (in part): Statement of Significant Accounting Policies: Principles of consolidation—The financial statements include the accounts of all domestic and foreign subsidiaries, including Partlow Corporation which was acquired in 1972. The acquisition (Note 2) was accounted for as a pooling of interests and the financial statements for 1971 were restated accordingly to include the Partlow Corporation's operations.

The accounts of foreign subsidiaries are translated into U.S. dollars at current rates of exchange, except for inventories and property, plant and equipment which are stated at historical rates. Foreign net assets are included in the consolidated balance sheet at December 31, 1972 in the amount of $45,415,149 including net current assets of $36,569,726.

Note 2: Acquisitions—On December 28, 1972, the company acquired Partlow Corporation in exchange for 155,043 shares of common stock. The net sales and net earnings of the company and Partlow Corporation separately stated are shown below:

1972	Net Sales	Net Earnings
Company	$176,412,977	$14,230,634
Partlow	6,334,216	447,867
Consolidated	**$182,747,193**	**$14,678,501**
1971	Net Sales	Net Earnings
Company	$155,055,365	$11,489,171
Partlow	5,762,893	306,705
Consolidated	**$160,818,258**	**$11,795,876**

The company's cash balances on December 31, 1972 included $6,600,000 held on deposit in connection with a pending tender offer for the shares of Wreckair Holdings Ltd., an Australian public company. The tender was successfully completed in February 1973 with the acquisition by the company of approximately 65% of the Wreckair shares and most of the funds were used for that purpose. For accounting purposes the acquisition will be considered as a 1973 transaction. Therefore, it is not reflected in the accompanying financial statements.

GENERAL SIGNAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Acquisitions: Poolings of Interest—During 1972 the company acquired Mixing Equipment Company, Inc., a producer of fluid mixing equipment for industrial process applications and of aeration equipment for municipal and industrial waste water treatment, for 477,828 shares of common stock. The company also acquired The Carlgen Corporation, a producer of sewage lift stations, for 13,500 shares of common stock. The consolidated financial statements for 1971 have been restated.

Net sales and net earnings before and after these poolings of interests are summarized as follows:

	1972	1971
NET SALES:		
Before 1972 poolings	$314.360,000	$216.476.000
1972 poolings	31.453.000	32.244.000
After 1972 poolings	**$345,813,000**	**$248,720,000**
NET EARNINGS:		
Before 1972 poolings	$ 15.113.000	$ 10.453.000
1972 poolings	1.269.000	1.435.000
After 1972 poolings	**$ 16,382,000**	**$ 11,888,000**

Purchases—On January 1, 1972, the company acquired the common stock of the Layne & Bowler Pump Company, a supplier of vertical turbine pumps, for $4,535,000. Also, effective January 1, 1972, the company acquired the common stock of the Colorado Manufacturing Company for 1,200,000 shares of the company's common stock. Colorado Manufacturing Company produces instrumentation and control equipment including pressure gauges, temperature measuring devices and specialty valves, as well as cold formed component parts.

The excess of acquired net assets over cost in both of these companies has been allocated to reduce the values assigned to non-current assets in determining their fair value.

The following supplemental information summarizes the combined results of all operations on a pro forma basis for 1971 after restatement for poolings of interests, as though the purchased companies had been combined as of January 1, 1971:

Net Sales	$315,169,000
Net Earnings	13,357,000
Primary earnings per share	1.93
Fully diluted earnings per share	1.79

MELVILLE SHOE CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Acquisitions—In December, 1972, the Company acquired Metro Pants Company, Inc. and its affiliated companies, a manufacturer and wholesaler of boys' and young men's pants, and Clinton Merchandising Inc., a chain of retail drug and health and beauty aid stores, for 284,000 and 666,271 shares of common stock, respectively. Each transaction has been accounted for as a pooling of interest and the consolidated financial statements for 1971 have been restated to reflect such acquisitions.

Net sales and net earnings before and after the poolings of interests are summarized as follows:

	1972	**1971**
NET SALES:		
Before 1972 poolings	$582,938,545	$512,709,692
Sales of pooled companies	48,979,252	43,352,532
Net sales as reported herein	**$631,917,797**	**$556,062,224**
NET EARNINGS:		
Before 1972 poolings	$ 27,298,486	$ 24,535,416
Earnings of pooled companies	1,745,236	1,424,090
Net earnings as reported herein	**$ 29,043,722**	**$ 25,959,506**

In restating the statement of consolidated earnings for 1971, results of operations of the acquired companies are included on the basis of their respective fiscal year-ends. In conforming the various fiscal year-ends to that of the Company, the results of operations of the acquired companies for the intervening periods have been credited to retained earnings in 1972. Net sales and net income for such periods were $22,147,636 and $309,581, respectively.

UNITED FOODS, INC. (FEB)

Notes to Consolidated Financial Statements

Pooling of Interests—On November 30, 1970, the company exchanged 1,600,000 shares of its common stock for all the outstanding capital stock of John Inglis Frozen Foods Company (Jiffco).

On November 2, 1971, the company exchanged 2,100,000 shares of its common stock for all the outstanding capital stock of The Winter Garden Freezer Company, Inc. (Winter Garden).

These acquisitions were accounted for as pooling of interests. The consolidated statements of income and retained earnings include the results of operations of the above businesses for the entire year in which the combination occurred. The financial statements for the year ended February 28, 1971, have been restated to include the financial statements of Winter Garden.

The effect of the inclusion of the above companies' accounts in the financial statements and the reconciliation of revenues and net income before and after the pooling of interests is as follows:

	Year ended February 28 or 29,	
	1972	**1971**
REVENUES		
Before poolings	$60,257,458	$36,242,091
Jiffco—Before date of combination	---	18,438,573
Jiffco—After date of combination	---	6,618,485
Winter Garden—Before date of combination	11,438,200	18,963,016
Winter Garden—After date of combination	7,549,714	---
Totals	**$79,245,372**	**$80,262,165**
NET INCOME		
Before poolings	$ 4,182,462	$ 836,728
Jiffco—Before date of combination	---	528,023
Jiffco—After date of combination	---	239,085
Winter Garden—Before date of combination	96,070	79,266
Winter Garden—After date of combination	76,190	---
Totals	**$ 4,354,722**	**$ 1,683,102**

Intercompany transactions before and after the combinations were eliminated in consolidation.

The fiscal closing of Winter Garden was changed from December to February to conform to that of the company. The results of operations of Winter Garden for their year ended December 31, 1970, are included in the consolidated statement of income for the fiscal year ended February 28, 1971. Net operating data of Winter Garden for the two months ended February 28, 1971, excluded from the consolidated statement of income resulting from conforming fiscal years is as follows:

Revenues	$2,779,325
Costs and expenses	3,054,445
Net loss excluded—see statement of retained earnings	**$ (275,120)**

Certain adjustments have been made to the net assets of these acquired companies to conform to accounting practices of the company. The effect of these changes upon previously reported consolidated income is not considered material.

Purchases

AMERICAN CHAIN & CABLE COMPANY, INC. (DEC)

Notes to Financial Statements

Note 2: Acquisitions—The Company acquired the remaining 80% interest in FATA, SpA and subsidiaries effective July 1, 1972, Welland Forge Limited (a Canadian corporation) on May 1, 1972, and Vac-U-Lift as of April 4, 1972, all for $8,221,000. All acquisitions have been accounted for as purchases and accordingly, the accompanying consolidated statement of income for the year ended December 31, 1972 includes the results of operations of acquired companies only from dates of acquisition. The following table reflects the contribution of acquired companies to 1972 operating results:

Net sales	$10,558,000
Net income	$ 220,000
Net income per share	$ .09

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company and subsidiaries, as though the acquisitions were made at the beginning 1971. For purposes of this calculation the earnings of FATA, SpA have been included for a full year in 1971 and ten months in 1972:

	Year Ended Dec 31, 1972
Net sales	$207,829,000
Net income	5,646,000
Net income per share	2.29
	Year Ended Dec 31, 1971
Net sales	$206,414,000
Income before extraordinary charge	4,703,000
Net loss	(5,297,000)
Per share:	
Income before extraordinary charge	1.90
Net loss	(2.13)

The excess of the purchase price over the fair value of assets acquired ($6,673,000) is being amortized over forty years commencing in 1972.

During 1971, the Company accounted for its investment in FATA, SpA and subsidiaries on the cost method.

After acquiring the remaining 80% interest the Company retroactively restated the accompanying consolidated financial statements for the year 1971 to recognize its 20% interest in FATA's 1971 earnings. The effect was to decrease the 1971 net loss by $287,000 ($.12 per share).

AMERON, INC. (NOV)

Notes to Financial Statements

Note 3: Acquisition—In early April, 1972, the Company acquired all of the outstanding shares of Enmar, Inc., a domestic producer of industrial product finishes. The acquisition was accounted for by the purchase method and the results of Enmar's operations for the eight months ended November 30, 1972, are included in the statement of consolidated income.

The acquisition agreement provided for initial issue of 150,000 shares of the Company's common stock and the contingent additional issue of up to 56,055 shares in 1975 depending on the future market price of the stock. The cost of Enmar was recorded at the fair value ($16.75) of the maximum 206,055 shares potentially issuable, or $3,451,421. The total cost was allocated to the net tangible assets acquired on the basis of their fair market value. Such assets included $2,146,513 plant and equipment, net of $882,083 related long-term debt.

The following summary, prepared on a pro forma basis, combines the consolidated results of operations of the Company for the fiscal years ended November 30, 1972 and 1971 with the pre-acquisition earnings of Enmar for comparable periods:

	1972	**1971**
Sales	$133,471.000	$130.263.000
Income before extraordinary items	4.874.000	4.281.000
Earnings per share, before extraordinary items	2.07	1.74

Enmar had no extraordinary items in either period.

CENTRAL SOYA COMPANY, INC. (AUG)

Statement of Accounting Policies

Business combinations—The net assets and results of operations of those businesses which were acquired in fiscal 1972 in exchange for Central Soya capital stock and qualified as poolings of interests, are included in the financial statements as if they had always been subsidiaries. Accordingly, prior years' financial data has been restated.

The net assets of those businesses acquired which were accounted for as a purchase are recorded at their fair value at the acquisition date and the financial statements include the results of their operations only from that date. Costs in excess of the net assets of purchased subsidiaries are amortized equally over a 15-year period.

Notes to Consolidated Financial Statements

Business combinations (in part): Purchases—Effective December 31, 1971, the Company acquired the assets of a foreign holding company (whose subsidiaries are collectively referred to as the Provimi group) for $9,811,435 plus imputed interest of $1,270,485 in a transaction accounted for as a purchase. The accompanying consolidated financial statements include the accounts of the Provimi group at May 31, 1972 and their transactions for the five months then ended. The purchase price, which is subject to reduction if certain assets are not realized or if certain liabilities or claims are paid, exceeded the fair value of the assets acquired by $2,589,021 (this amount is included in other assets at August 31, 1972). Any reduction of the purchase price will decrease the amounts payable under the purchase contract and the amount included as other assets. When the final purchase price is determined, the amount remaining in other assets, if any, will be classified as cost in excess of net assets of subsidiaries and amortized.

If it were assumed that the operations of the Provimi group had been included for all of 1971 and 1972, the 1971 revenues would have increased by approximately $103,000,000 and the 1972 revenues, for the period prior to purchase, by approximately $60,000,000, and there would have been no material effect on net earnings (after adjustment for interest expense, less applicable taxes, related to the purchase).

ConAGRA, INC. (JUN)

Notes to Consolidated Financial Statements

Note 1 (in part): Principles of consolidation and acquisitions—As of January 29, 1972, the company acquired all of the stock of H. C. Cole Milling Company for a cash purchase price of $2,828,461. As of April 30, 1972, the company acquired all of the stock of Feedright Milling Company in exchange for 32,717 shares of its common stock with an assigned value of $331,096. These acquisitions were accounted for as purchases, and thus operations from dates of acquisition have been included in the statement of consolidated earnings. Under the purchase method of accounting, the total purchase price was assigned to the net tangible assets acquired based upon their estimated value and included no goodwill. The following is a summary of the proforma results of operations, assuming that the acquisitions had taken place as of June 29, 1970.

	June 25,	**June 27,**
	1972	1971
Net sales	$310,641,156	$286,589,354
Net earnings before extraordinary items	3,820,753	3,108,070
Net earnings	3,153,980	3,108,070
Per share:		
Net earnings before extraordinary items	1.31	1.10
Net earnings	1.08	1.10

As of June 26, 1972, the company has acquired all of the stock of Security Mills, Inc. and subsidiaries for a cash purchase price of $4,499,250. For the period July 1, 1971 to June 26, 1972, the net sales and net loss were $29,315,291 and $1,319,932. Included in the net loss is $1,453,946 for write-off of doubtful accounts, inventory and reduction in investment in a 50%-owned subsidiary, net of taxes.

FAIRCHILD INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 2: Acquisitions—On January 31, 1972, the assets of radio station KLIF, Dallas, Texas, were purchased for $10,400,000 cash. On November 3, 1972, the assets of radio stations WYOO and WRAH, Richfield, Minnesota, were purchased for $1,500,000 cash. The cost of these acquisitions exceeded the fair value of their net assets at the dates of acquisition by $8,076,925, which amount is being amortized by the straight-line method over 40 years.

On February 15, 1972, Swearingen Aviation Corporation, a 90% owned subsidiary, acquired the assets of Swearingen Aircraft, a San Antonio, Texas, designer and manufacturer of executive and commuter-type aircraft which was then operating as a debtor-in-possession under Chapter XI of the Bankruptcy Act. Under the terms of the agreement, the subsidiary issued $6,860,000 in non-interest bearing notes. In addition, payments of $20,000 for each aircraft sold and delivered will be made until such time as these payments total $9,340,000. In any event, the subsidiary is obligated to have made payments aggregating $7,000,000 by December 31, 1976 and $13,800,000 by December 31, 1981 or return the assets. Payments to be made on the notes and on aircraft sold and delivered are not guaranteed by the Corporation. Warrants to acquire an additional 10% of the stock were issued to the minority shareholders of the new subsidiary.

All 1972 acquisitions have been accounted for using the purchase method and, accordingly, have been included in the accompanying financial statements since the dates of acquisition. The following table summarizes the results of operations on a pro forma basis as though the assets of radio station KLIF and Swearingen Aviation Corporation had been acquired as of January 1, 1971 (1971 amounts for the acquired companies are unaudited). Results of operations of the Richfield, Minnesota stations were not significant.

	1972	1971
Revenue	$233,928,000	$269,109,000
Net earnings	6,189,000	5,871,000
Earnings per share	$ 1.36	$ 1.29

PHILIP A. HUNT CHEMICAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1A—The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Significant intercompany accounts and transactions have been eliminated in consolidation.

Included in the financial statements covering the year 1972, resulting from an acquisition on January 3, 1972, are the accounts and transactions of DEA Products, Inc., acquired for $530,700. The purchase agreement includes a provision under which the purchase price may be increased up to an additional $300,000 depending on the aggregate level of sales within the thirty months subsequent to the date of purchase. This acquisition has been accounted for as a purchase, with the excess of purchase cost over the fair value of net assets acquired being amortized on a straight-line basis over a thirty year period. Similar excess costs for other companies acquired prior to November 1, 1970 are not being amortized as there is no present indication that the intangible assets have determinable lives, and in management's opinion, there has been no decline in original value.

The following summarizes the combined results of operations on a pro forma basis as if DEA Products, Inc. had been acquired as of January 2, 1971:

		Pro Forma
	1972	1971
Net sales	$40,032,359	$35,285,505
Income before extraordinary item ($.62 and $.45 per share)	$ 3,534,409	$ 2,580,332
Net income ($.62 and $.49 per share)	$ 3,534,409	$ 2,775,304

INTERPHOTO CORPORATION (FEB)

Notes to Consolidated Financial Statements

Note 2 (in part): Acquisitions and Goodwill—Effective September 1, 1971, the Company acquired all the outstanding stock of four subsidiaries of Oxford Electric Corporation in exchange for $8,125,000 principal amount of 9% Sinking Fund Subordinated Debentures and warrants to purchase 500,000 shares of the Company's common stock for $15.00 per share exercisable through 1982. This transaction has been accounted for as a purchase and, accordingly, the accounts of the acquired companies have been included in the accompanying consolidated financial statements since that date. The Company has allocated the purchase price to the net assets of acquired companies in accordance with Opinion No. 16 of the Accounting Principles Board of the American Institute of Certified Public Accountants. The balance of the purchase price over the amounts allocated, aggregating $1,766,000, has been classified as goodwill and is being amortized over a 40 year period. At February 29, 1972, two of the acquired companies had tax operating loss carry forwards generated prior to September 1, 1971, of approximately $1,700,000. No allocation has been made in the accompanying statements to the estimated tax benefit to be realized since such amounts cannot presently be determined. Accordingly, goodwill will be reduced in the future to the extent of actual realization of the tax benefits of operating loss carry forwards by these companies. Debt discount arising from the warrants issued, aggregating $625,000, is being amortized to income on a straight-line basis over the life of the debentures.

The following tabulation reflects, on a pro forma basis, the combined operating results of the Company and the acquired companies for the fiscal years 1972 and 1971, assuming the acquisition had taken place on March 1, 1970 and after applying pro forma adjustments for interest expense on debentures issued, amortization of amounts allocated to specific assets and amortization of goodwill.

	Year Ended	
	Feb 29, 1972	Feb 28, 1971
Net sales	$87,042,000	$83,519,000
Income before extraordinary item	535,000	459,000
Net income	535,000	637,000
Earnings per share of common stock:		
Income before extraordinary item	$ .52	$ .45
Net income	.52	.62

ST. JOE MINERALS CORPORATION (DEC)

Notes to Financial Statements

Note 2: Acquisition of CanDel Oil Ltd.—In May 1972 the Corporation acquired 93.6% of the capital stock of CanDel Oil Ltd. from Sohio Petroleum Company for $46,928,000 in cash and notes payable. CanDel is a Canadian corporation engaged in the exploration and production of oil and gas, principally in western Canada.

The acquisition is being accounted for as a purchase and, accordingly, the operations of CanDel are included in the accompanying consolidated financial statements from May 1, 1972. The excess of acquisition cost over the value of net assets acquired, $20,876,000, was assigned to goodwill and is being amortized over a forty-year period. Amortization for 1972 is $348,000 and is included in administrative and selling expenses.

On a pro forma basis including data for CanDel for the entire periods, consolidated net sales for the years ended December 31, 1972 and 1971 would have been $208,175,000 and $171,255,000, respectively; net income for 1972 and 1971 would have been $26,270,000 ($3.09 per share) and $20,699,000 ($2.45 per share) respectively.

SUN CHEMICAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2 (in part): Acquisition of Standard Kollsman Industries Inc.—During 1972 and 1971, Sun held an investment representing 12.7% of the outstanding common stock of Standard Kollsman Industries Inc. ("SKI"). On December 29, 1972, upon consummation of a merger approved by the stockholders of both companies, Sun acquired the remaining outstanding stock of SKI in exchange for 456,490 shares of Sun's common stock. SKI is principally engaged in the manufacture of aircraft instrumentation and automotive products. The merger has been accounted for as a purchase, with SKI's accounts included in Sun's consolidated balance sheet at December 31, 1972. In accordance with the provisions of APB Opinion No. 18, the consolidated financial statements have been restated to reflect the retroactive application of the equity method of accounting to Sun's original 12.7% investment in SKI. In addition, a 1970 extraordinary charge to recognize impairment in the carrying value of Sun's investment in SKI has been retroactively reversed to the extent ($1,071,000) that such charge reduced Sun's carrying value below underlying book value at the date Sun acquired the investment in SKI. Subsequent declines in book value have been reflected by application of the equity method of accounting. SKI's results of operations on a 100% basis will be fully consolidated from January 1, 1973.

As of December 31, 1972 SKI had a net operating loss carryforward of approximately $13,000,000 (expiring during the years 1975, 1976 and 1977), which is available to offset future taxable income of Sun subject to the nonapplicability of Section 269 of the Internal Revenue Code. Management believes that, since the principal purpose for which the merger was made was not evasion or avoidance of federal income tax, the net operating loss carryforward will not be disallowed pursuant to such provision. As the related tax benefit is realized, 12.7% (that portion which relates to Sun's previously held investment) will be accounted for as an extraordinary credit. The remaining 87.3% will be applied first to reduce the excess of cost over net assets acquired and then to reduce the fair value of property, plant and equipment of SKI.

Following is an unaudited summary of pro forma results of operations for 1972 and 1971, assuming the merger of SKI into Sun had occurred on January 1, 1971.

	1972	**1971**
Net sales of continuing operations	$212,500,000	$176,385,000
Income (loss) from continuing operations	$ 990,000	$ (1,210,000)
Loss from sold operations	(255,000)	(569,000)
Extraordinary items	(54,000)	(3,918,000)
Net income (loss)	**$ 681,000**	**$ (5,697,000)**
Per share of common stock Income (loss) from continuing operations	$ .44	$ (.56)
Loss from sold operations	(.12)	(.26)
Extraordinary items	(.02)	(1.79)
Net income (loss)	**$ .30**	**$(2.61)**

Pro forma adjustments reflected above include issuance of shares of Sun common stock, adjustment of depreciation based on appraised values, amortization of excess cost, recognition of the tax benefit applicable to losses of SKI which would have been realized on a combined basis and adjustments to reflect the effect of Sun's adoption of certain acceptable alternative accounting principles.

In March 1973, Sun sold for cash ($1,888,000) and secured long-term notes ($1,650,000), certain of the assets and liabilities of the Television Tuner Division at their net book value as of December 31, 1972. The net assets sold have been reflected as current and non-current receivables in the accompanying consolidated balance sheet at December 31, 1972 on the basis of the consideration received. Included in the liabilities assumed by the purchaser was $460,000 representing the unpaid portion of estimated claims for additional customs duties arising from operations of the Division. Sun's consolidated balance sheet at December 31, 1972 reflects a liability of $905,000 for customs duties paid by Sun subsequent to December 31, 1972 and long-term notes payable of $1,650,000 to the U.S. Government for related penalties, both arising from operations of the sold Division. To the extent that the customs duties and penalties may be ultimately reduced or mitigated, the difference will accrue to the benefit of Sun and be applied as an adjustment of the cost of the SKI acquisition.

Results of operations of SKI for 1972 and 1971 are summarized below:

Standard Kollsman Industries Inc. and Subsidiaries
Condensed Consolidated Statement of Operations

	For the Year Ended December 31 ($ thousands) 1972	1971
Net sales of continuing operations	$ 75,648	$ 54,512
Loss from continuing operations (Note A)	$(5,721)	$(7,320)
Loss from sold operations (Note B)	(491)	(1,039)
Extraordinary items (Note C)	(1,513)	(1,891)
Net loss	**$(7,725)**	**$(10,250)**

TABLE 1-20: CONTINGENT LIABILITIES AND COMMITMENTS

Nature	**1972**	**1971**	**1970**	**1969**
Litigation- nongovernment	114	96	101	80
Litigation- government	95	100	79	72
Litigation- not identified	102	103	93	88
Guarantees of indebtedness	150	148	152	152
Possible tax assessments	76	55	60	63
Accounts or notes receivable sold	70	48	47	44
Purchase or repurchase agreements	171	152	131	129
Additional payments in connection with an acquisition	67	50	48	60
Compliance with environmental standards	23	19	N/C	N/C
Miscellaneous agreements and contracts	66	74	72	76
Total Disclosures	**934**	**845**	**783**	**764**
Number of Companies Referring to Contingent Liabilities or Commitments				
On face of balance sheet	117	107	93	89
In notes to financial statements only	322	304	321	286
No reference	161	189	186	225
Total	**600**	**600**	**600**	**600**

N/C— Not compiled.

CONTINGENCIES

ARB No. 50 states in part:

> 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—20 summarizes the various contingent liabilities and commitments (except leases which are summarized in Table 2—41) disclosed in the 1972 annual reports of the survey companies. Examples of contingent liability (except receivables sold or discounted) and commitment disclosures follow. Examples of receivables sold or discounted are presented in connection with Table 2—7.

Nongovernment Litigation

HAZELTINE CORPORATION (DEC)

Notes to Financial Statements

Note 3: Litigation— The Company and certain of its present and former officers and directors have been named as defendants in a stockholder's derivative suit brought in 1965 on behalf of the Company seeking an accounting by the individual defendants for alleged damages to the Company with respect to matters which were at issue in the now-terminated litigation between Hazeltine Research, Inc. and Zenith Radio Corporation. The Company and certain of its present and former officers and directors have also been named as defendants in a stockholder's representative action filed in 1965, in which the plaintiff seeks damages of $1,015 together with an unspecified amount on behalf of others, from the Company and the individual defendants on account of alleged misconduct in failing to disclose the pendency of a counterclaim in said Zenith litigation in filings with the Securities and Exchange Commission, or otherwise. Based on an opinion of counsel, management is of the opinion that while the outcome of litigation is never certain, it is unlikely that the claims in these actions will result in recovery against the Company which will materially affect its financial position or results of operations. There is no other pending litigation involving material claims not covered by insurance.

MAREMONT CORPORATION (DEC)

Notes

Note 6 (in part): Commitments and Contingent Liabilities— On November 29, 1972, Arvin Industries, Inc., a competing manufacturer of exhaust system parts, filed suit against Maremont in the United States District Court for the Southern District of Indiana. The complaint alleges several violations of the Federal antitrust laws. In many respects, the complaint repeats the allegations of the Federal Trade Commission's complaint in the proceeding which was settled by the entry of a consent order in January, 1971. (See Note 2). In addition, the complaint contains charges concerning the divestitures which were made and approved by the FTC and others which are being made subject to FTC approval in accordance with the consent order. Arvin seeks treble damages, as well as an order requiring Maremont to divest each of the warehouse distributors and jobbers acquired by the Company. Arvin claims $5 million in damages in each of four counts, so that the total alleged damages amount to $20 million ($60 million trebled).

On January 22, 1973, Maremont filed its answer denying any violation of the Federal antitrust laws, and also filed a motion questioning the jurisdiction of the Court to adjudicate the charges as stated in the complaint. On the same date, Maremont filed a counterclaim against Arvin Industries, Inc., charging Arvin with violations of the Federal antitrust laws arising out of Arvin's dominant position in sales of exhaust system parts to automobile original equipment manufacturers. The counterclaim seeks $25 million in damages ($75 million trebled) and divestitute of a large portion of Arvin's assets used in the manufacture of exhaust system parts.

No discovery has yet taken place with respect to the factual bases, if any, relied upon by Arvin for each of its several claims. However, based on the information developed to date and their familiarity with the issues in the prior FTC proceeding (which encompasses most, but not all, of the allegations in the Arvin suit), the Company's counsel have advised that they believe that the Company has meritorious defenses to the charges made by Arvin, and the Company does not believe that it will incur any substantial liability as a result of the Arvin litigation.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7 (in part): Contingent liabilities and commitments— In 1967, suits were filed against Occidental in conjunction with its purchase of stock of Kern County Land Company and subsequent grant of an option to Tenneco Corporation to purchase the Tenneco stock to be issued to Occidental following the acquisition of Kern by Tenneco. The plaintiffs seek to recover, under Section 16(b) of the Securities Exchange Act of 1934, profits from the transaction allegedly amounting to $20 million, or to impose a constructive trust on the option price, or to recover punitive damages totaling $25 million for alleged breach of fiduciary duty, or a combination of the foregoing. In one of these suits, a motion for summary judgment pertaining to the alleged Section 16(b) profits was decided in the plaintiff's favor and judgement was entered for recovery of $23,500,000, including interest. However, that judgment was reversed on appeal to the U.S. Court of Appeals for the Second Circuit, and that court directed that summary judgement be entered in favor of Occidental. Following the grant of a petition for writ of certiorari to the Supreme Court of the United States, the case was argued before that court in December, 1972, but has not yet been decided. It is the opinion of Occidental's special legal counsel that Occidental should prevail. Occidental has counterclaims pending in the same lawsuits in a sum exceeding plaintiff's claims.

WEIGHT WATCHERS INTERNATIONAL, INC. (SEP)

Notes to Consolidated Financial Statements

Note 4: Commitments and Contingent Liabilities— The aggregate annual rentals under long-term leases expiring at varying dates to 1981 amount to approximately $175,000. Certain leases require payment of real estate taxes in excess of base period taxes.

A lawsuit seeking, among other things, specific damages totalling $2,740,000 has been instituted by two commonly-owned corporations which are franchisees of the Company. The most significant claim asserted is that the Company unlawfully limited the amount of the fees which the Plaintiffs could impose upon persons registering for and attending the weight reduction classes they operate. It is the opinion of special antitrust counsel that the issue presents a factual question requiring ultimate resolution by trial. However, it is the opinion of such counsel that the amount, if any, that the Plaintiffs are likely to recover, would be substantially less than the amount claimed.

The Company has also been named as defendant in various other actions but in the opinion of counsel, the outcome of these matters will have no material effect on the financial condition of the Company.

Government Litigation

AVON PRODUCTS, INC. (DEC)

Notes to Financial Statements

Litigation and Other Matters— The Company is a defendant in several actions alleging violations of the Sherman Antitrust Act and the complainants seek damages aggregating $175,000,000. In the opinion of management and counsel there is no basis for the actions.

The Food and Drug Administration (FDA) has issued regulations covering labels and labeling of cosmetic products that bear a price savings representation. The regulations, in part, limit the sales volume of a particular product at a reduced price to 50% of the total units of that product shipped during a given 12-month period. FDA has interpreted this provision as applying to the Company's method of reduced price selling. In the opinion of the Company's counsel, FDA exceeded its statutory authority in issuing the regulations insofar as they purport to affect the Company's present method of operations in any significant manner. Counsel is also of the opinion that the Company's Catalogs and Brochures are not labels or labeling for purposes of the regulations and therefore not subject to the regulations. Special pricing below regular prices is Avon's primary merchandising technique and is utilized in effecting the greater part of Avon's sales. The Company's present intention is to contest any assertion of the applicability of the 50% volume limitation. If the regulations and their applicability to the Company are upheld, the Company will make changes in its domestic price reduction promotions and may also use other promotional and marketing techniques. The Company is unable to determine what the effect of such changes on sales and earnings would be, but does not believe it would be significant.

KENNECOTT COPPER CORPORATION

Notes to Financial Statements

Note 11: Legal Proceedings— In August, 1968, the Federal Trade Commission issued a complaint against Kennecott alleging that the acquisition of the business and assets of Peabody Coal Company and subsidiaries violated Section 7 of the Clayton Act. The complaint seeks divestiture of the acquired assets if such violation is established. Kennecott filed its answer to the complaint in which it denied that any violation of Section 7 occurred. In March 1970, the Hearing Examiner in the proceeding ruled in favor of Kennecott and dismissed the complaint. Complaint counsel appealed the decision to the Commission itself. In May, 1971, the Commission reversed the 1970 decision of its Hearing Examiner. The Commission's order, which is not final pending appeal, required Kennecott to divest itself of Peabody. In September, 1972, the Tenth Circuit Court of Appeals affirmed the Commission's order. On October 25, 1972, the Company filed a petition for a writ of certiorari with the United States Supreme Court, where the matter is now pending.

For the years 1972 and 1971, Peabody's sales of coal were $344,424,000 and $268,789,000. For the years 1972 and 1971, Peabody's earnings before income taxes, minority interests and extraordinary charges (excluding shutdown expenses during strikes) was $15,668,000 and $8,513,000. In addition, the earnings exclude investment credits and other tax credits generated by Peabody which Kennecott has utilized as a reduction of its consolidated Federal income taxes but which could not have been so utilized by Peabody on a separate company basis. In the opinion of management, there has been no impairment of value of Peabody's assets. Refer to Notes 4 and 8 for information regarding Peabody's coal mining land, plants and equipment and reserved production payment.

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 and seeking treble damages and divestiture by the producers of their fabricating subsidiaries. Reading Industries, Inc. filed a similar suit in October, 1970. Answers categorically denying all the allegations have been filed by all defendants. Preliminary pre-trial proceedings have taken place during 1971 and 1972. 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.

LYKES-YOUNGSTOWN CORPORATION (DEC)

Notes to Financial Statements

Note 10: Commitments and Contingencies— The Company has minority interests in several ore mining projects and is entitled to purchase its ownership proportion of ore produced. In each case, the Company is committed to pay its proportionate share of costs, either directly or as a part of the product price, with provision that the amounts included in costs for amortization, depletion, depreciation and obsolescence in any year shall be not less than the payments on the long-term debt of the respective projects. Annual principal payments attributable to the Company's participation in the projects will approximate $8,900,000 through 1975, $6,500,000 from 1976 through 1983 and $1,600,000 from 1984 through 1991.

Lykes is one of numerous steamship companies now defending three damage suits which seek substantial monetary damages alleged to have resulted from unfair competition by the operators in violation of antitrust laws. The resultant amounts of liability, if any, are not presently determinable but the Company anticipates no significant penalties.

The operating results for Military Sea Transportation Service time charter operations for the years 1968–1971 are presently under review by the Renegotiation Board, which has made a determination that the Company realized excessive profits on time charters during 1967 in the amount of $1,750,000 before reduction for federal income taxes; the Company has filed a petition for redetermination in the United States Court of Claims. Also with respect to 1968 and 1969 the Company has been informed of preliminary findings of excessive profits. In the opinion of the Company's management, excessive profits have not been earned; accordingly, no provision has been made for any such possible liability for the years 1967–1972 during which time charter operations occurred.

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note G: Renegotiation— Profits of the Company include those from transactions which are subject to the provisions of the Renegotiation Act of 1951. The Company has settled or received clearances for all years to and including December 31, 1966. Subsequent to December 31, 1972, the staff of the Eastern Regional Renegotiation Board issued reports for the years ended December 31, 1967, 1968 and 1969, which recommend that the Board require the Company to refund a total amount (after income tax credits) of $3,060,000. The Company is in substantial disagreement with the reports, and intends to exhaust all available remedies.

While management believes that the amounts provided for in connection with government contracts for expenses, price adjustments and claims are adequate, it is not possible to determine the amount of renegotiation refunds that may ultimately be determined to be due for the years subsequent to December 31, 1966.

Guarantee Of Indebtedness

AMERICAN METAL CLIMAX, INC. (DEC)

Notes to Financial Statements

Note 17: Contingencies—At December 31, 1972, the Company and its consolidated subsidiaries were contingent guarantors of notes and other liabilities agregating $30,000,000, principally in connection with the aluminum smelter owned to the extent of 50% by AMAX Realty Corporation and operated by Intalco Aluminum Corporation. See RST International, Inc. on page 25 and Botswana RST on page 22 for other commitments, guarantees, and litigation.

Contractual obligations for plant construction and the purchase of real property and equipment amounted to approximately $90,000,000 at December 31, 1972.

HERCULES INCORPORATED (DEC)

Notes to Financial Statements

Note 8: Contingent Liabilities—Hercules is a joint and several guarantor with Farbwerke Hoechst AG, Frankfurt, Germany, of $23,350,000 of Hoechst Fibers Incorporated notes due 1973 through 1986 and $50,400,000 of rental payments under a lease agreement with Spartanburg County, South Carolina, whereby plant facilities are leased to Hoechst Fibers through 1987. Farbwerke Hoechst AG has unconditionally agreed to indemnify Hercules for any payments Hercules may be called upon to make on account of the foregoing guarantees.

At December 31, 1972, Hercules was also contingently liable as guarantor of notes payable of affiliated companies, aggregating $7,400,000.

Proposed Tax Assessments

BRUNSWICK CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Internal Revenue Service Examination—In October, 1972, the Company filed a petition in the United States Tax Court in response to a statutory notice of deficiency received from the Internal Revenue Service in July, 1972, proposing adjustments to taxable income for the years 1962 through 1965. The proposed adjustments result principally from (1) substantially increasing the tax basis assigned to repossessed bowling equipment, (2) disallowing the deductibility of a substantial portion of reserves claimed for possible losses on receivables, and (3) disallowing the deductibility of losses related to a finance subsidiary and a Canadian bowling subsidiary, both of which became insolvent in 1965. The proposed tax assessment for the four years is approximately $43,000,000, plus interest, and a five percent penalty of $2,100,000 for alleged negligence.

The Company believes that its treatment of the items in question was proper and in accordance with both the Internal Revenue Code and generally accepted accounting principles. In the opinion of legal counsel the deductions taken by the company were properly claimed in determining its income tax liability. The Company intends to defend its position vigorously at all appropriate levels of appeal.

In the event any portion of the three principal changes proposed by the Internal Revenue Service are sustained after the Company has exercised its rights of appropriate appeal, a higher value would be established for the related assets, resulting in increased tax deductions for 1966 and subsequent years. This would enable the Company to obtain refunds or credits of income tax plus related interest for the years 1966-1972, representing a substantial portion of the asserted deficiency. The finance and Canadian subsidiaries have been liquidated, and substantially all of the repossessed bowling equipment has been sold, depreciated in bowling operations, or scrapped. The years 1966 through 1969 are currently under examination by the Internal Revenue Service.

Management is of the opinion that its reserves for Federal income taxes are adequate and that any adjustments which may ultimately be determined will not materially affect the financial position or results of operations of the Company.

ETHYL CORPORATION (DEC)

Notes to Financial Statements

Note 5: Internal Revenue Service Examination—The Corporation has received reports of the Internal Revenue Service proposing additional income taxes for the five taxable periods ended December 31, 1966. See caption "Internal Revenue Service Examination" in the Financial Results Section (page 6) of this report for further information.

Internal Revenue Service Examination—As noted in the 1971 Annual Report, the Internal Revenue Service completed its examination of the Company's first three taxable periods after the Ethyl-Albemarie merger in 1962. It has now completed two more years through December 31, 1966. The IRS has proposed tax increases of $22 million, including interest, for these five periods, which would total an estimated $38 million if assessed on the same basis through 1972. The IRS position results from differences in the valuation of assets acquired in the merger and the allocation of values between tangible and intangible assets. The IRS valuation of assets was made by a government engineer during the course of its examination. The Company based its asset valuation on an appraisal by independent appraisers made at the time of the merger.

It is the opinion of the Company's counsel that the tax increase proposed by the IRS is far in excess of any tax which ultimately might be payable by the Company on the basis of a reasonable asset valuation. The Company does not accept the IRS proposal and will continue to contest it.

H. J. HEINZ COMPANY (APR)

Notes to Consolidated Financial Statements

Note (8): Other matters—One of the Company's foreign subsidiaries has an unresolved income tax issue involving the tax deductibility of technical service fees it paid to another affiliate during the period from fiscal 1965 through fiscal 1972. The issue is currently in the preliminary stages of litigation and should the subsidiary be unsuccessful in sustaining its position, the tax and interest thereon to May 3, 1972 could aggregate $7,650,000. The Company cannot predict with certainty the outcome of this matter, but, in the opinion of the subsidiary's tax counsel, while it may take a number of years to finally resolve this matter, there is a substantial probability that it will ultimately be resolved in favor of the subsidiary. In view of the uncertainty regarding the outcome of the issue, no provision has been made for additional taxes or interest.

Certain claims filed against the Company and certain of its subsidiaries (other than the matter referred to in the preceding paragraph) have not been finally adjudicated. In the opinion of management, such claims, when finally determined, will have no material adverse effect on the consolidated financial statements.

Contracts and purchase orders approximating $17,000,000 at May 3, 1972 ($6,500,000 in 1971) have been executed in connection with plant construction.

P. R. MALLORY & CO. INC. (DEC)

Notes to Consolidated Financial Statements

Note (5) (in part): United States Taxes on Income—The Internal Revenue Service has examined the Company's income tax returns for the three years ended December 31, 1968 and asserted certain adjustments thereto. The Company has agreed to a partial settlement of these adjustments and the resulting additional taxes have been paid. The remaining 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 earnings. The additional deficiency based on the remaining adjustment asserted by the Service, if sustained, would not exceed $375,000. 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.

Purchase Or Financing Commitments

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

SHAREHOLDERS' EQUITY–	
Preferred Shares–$4.50 cumulative, par value $100 a share	
Authorized–500,000 shares	
Outstanding–106,019 shares	$ 10,602,000
Common Shares–par value $1 a share	
Authorized–7,000,000 shares	
Issued–3,201,830 shares	3,202,000
Capital in excess of par value of shares	14,657,000
Retained income	151,281,000
Cost of 202,051 Common Shares in treasury	(8,776,000)
	$170,966,000
COMMITMENTS–Note B	

Note B (in part): Investments in Mining Ventures and Related Activities—In connection with the development of the Tilden Mine and the expansion of the Empire Mine, in both of which the Company through associates is a 20% participant, long-term loan agreements aggregating $227 million have been executed by the participants of which the Company's indirect share is $45.4 million. At December 31, 1972, $52 million had been borrowed under these agreements, of which the Company's indirect share was $10.4 million. Under certain of these agreements, the participants are obligated, in proportion to their individual interests, to complete the facilities (as defined) and to pay costs, including principal and interest on debt. The Company has agreed to loan up to $27 million to associates in connection with the Tilden Mine under certain circumstances. It is presently anticipated that $8 million of such additional funds will be required.

In connection with the Robe River Mine and related facilities, in which the Company through a 53% owned associate is a 15.9% participant, long-term loan agreements totaling $75.5 million have been executed by the associate, of which approximately $70 million had been borrowed by December 31, 1972. The Company's guarantee of $40 million of the agreed borrowings is effective through completion (as defined), with a commitment thereafter to maintain working capital of $1.3 million in the subsidiary until the loans are repaid.

Certain of the loan and guarantee agreements contain restrictive covenants, including limitations on the payment of cash dividends by the Company (see Note D).

Related agreements include security provisions consisting primarily of mortgages on the plant and equipment, assignment of amounts due the Company and subsidiaries with respect to the Robe River Project, and a pledge of certain of the assets of an associate with respect to the Tilden Mine.

In connection with furnishing electric power to associates and others, an associate had outstanding debt of $31.4 million at December 31, 1972, and under a 1972 loan agreement, an additional $36 million can be borrowed. The Company is obligated to pay its share of fixed annual charges to the associate, including amounts sufficient to amortize up to $22.3 million of debt outstanding at December 31, 1972, and $29.3 million of the additional borrowing. The Company is entitled to reimbursement for such costs by other associates as they continue to require electric power.

R. R. DONNELLEY & SONS COMPANY

Notes to Consolidated Financial Statements

Note 3: Property Commitments—Authorized expenditures on incomplete projects for the purchase of property, plant and equipment, as of December 31, 1972, totaled $37,139,000. Of this total, $15,135,000 has been paid and is included in the accounts. An additional $6,874,000 has been committed for payment upon completion of the contracts, and $15,130,000 has not been committed.

FREEPORT MINERALS COMPANY (DEC)

Notes to Financial Statements

Note 8: Reference is made to comments in the accompanying letter to stockholders regarding the nickel-cobalt project in Queensland (see page 6). In connection with the financing of this project, Freeport Minerals Company was committed at December 31, 1972, to provide a maximum of approximately $1,700,000 in additional loan funds. If required, certain supplemental senior loan funds are available provided that an equivalent amount in additional equity funds is invested in the project; the maximum amount of Freeport Minerals Company's additional investment under these arrangements is approximately $5,000,000.

Regulations of the Office of Foreign Direct Investments relating to foreign investments by United States companies require the Company to obtain funds from foreign sources and to bring such funds into the United States to offset the outflow of funds relating to certain of its foreign investments. At December 31, 1972, Freeport Overseas Finance Corporation and Freeport Offshore Finance Corporation, unconsolidated wholly owned subsidiaries of Freeport Minerals Company which were incorporated principally in connection with obtaining such funds, had outstanding Eurodollar loans of $29,500,000. These funds were segregated as collateral for the loans and invested by these subsidiaries in high-grade debt securities with maturities comparable to the related obligations. The value of the collateral securities is expected to be sufficient to repay the loan installments as they mature. Freeport Minerals Company has agreed, however, to provide any additional funds which may be required for payment of principal with respect to $19,100,000 of such loans and for payment of interest with respect to the total amount of the loans.

The Company is committed under long-term contracts for payment of certain costs in connection with transportation and storage of liquid sulphur and other products. The contracts expire during the years 1976 to 1997, and the present minimum annual charges thereunder aggregate approximately $3,000,000.

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

(thousands of dollars)

Note 8: Commitments and Contingencies—The Corporation has financial commitments, including long-term leases, purchase agreements, tolling arrangements, sales contracts, and guarantees; and is a joint venturer in real estate projects. The minimum annual rentals under noncancellable leases charged against income in 1972 and 1971 amounted to $11,800 and $13,200. Under noncancellable leases in effect at December 31, 1972, minimum annual rentals for the five years subsequent to that date were $10,100, $8,800, $7,600, $6,700, and $6,100. Purchase agreements include an agreement with the United States Government to acquire, at the published price at the date of such acquisition, its share of the government's aluminum stockpile. No purchases were made in the years 1972 and 1971; however, under an amendment signed during 1972, the Corporation is required to purchase annually 26,711 tons from 1973 to 1975, 17,140 tons from 1976 to 1987, and 15,442 tons in 1988. Long-term contracts include agreements for the tolling of bauxite into alumina by Queensland Alumina Limited (Australia) (37.3% owned) under which the Corporation is obligated to pay its proportionate share of the debt of Queensland Alumina Limited as well as certain other costs and expenses, acquisition of alumina from Alumina Partners of Jamaica (26.3% owned), which agreement provides for the proportionate payments of the operating and financial costs of the partnership, a tolling agreement with Volta Aluminium Company Limited (Africa) (90% owned) for the conversion of alumina into aluminum, and alumina supply and aluminum and nickel purchase agreements with other companies in which the corporation has equity interests. In addition, the Corporation has guaranteed certain debts of affiliates and has commitments to make additional investments and advances in affiliates.

There are pending lawsuits and claims against the Corporation, including claims submitted to arbitration by the co-owner of the Corporation's major European affiliates. Management is of the opinion that disposition of these will not have a material effect on the Corporation's financial position.

OGDEN CORPORATION (DEC)

Notes to Financial Statements

Note 9 (in part): Contingent Liabilities—At December 31, 1972, Ogden Marine, Inc. had nine foreign flag vessels under construction for which the company was liable for future costs of $112,000,000. These vessels will enter into service during the years 1973 through 1975. Time or bare-boat charters have been arranged for seven of the vessels for periods from four to fifteen years after the ships are delivered.

As a result of the devaluation of the U.S. dollar in February, 1973, the future payments for these ships will increase by an estimated amount of $15,000,000 to $127,000,000.

Contingent Payments Based On Future Earnings Of Acquired Companies

EVANS PRODUCTS COMPANY (DEC)

Financial Review

Other Matters—Under an acquisition agreement the Company may be required to issue additional common stock depending upon the stock's future market value. At December 31, 1972, no additional shares would have been required to be issued, however, 173,056 shares of common stock are reserved for contingent issue.

Under certain loan and preferred stock agreements, $18,054,000 of retained earnings is free from dividend payment restrictions at December 31, 1972.

On January 16, 1973, the Company purchased 100,000 shares of its common stock, for issuance under stock option plans, at a total cost of $2,414,900.

PUROLATOR, INC. (DEC)

Notes to Consolidated Financial Statements

Note 8: Commitments—The Company presently has commitments to issue a maximum of 33,572 shares of common stock, contingent upon revenues and earnings of certain acquired companies, over a period of from one to five years. Based on the 1972 revenues and earnings, the Company must issue approximately 3,000 shares.

U.S. INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note F (in part): Capital Stock: Contingent Obligations—The average market price of the Corporation's Common Stock at December 29, 1972 ($20.00) has been used in the following assumptions and estimates of the number of shares which may be issued.

The Corporation has contractual obligations, as a result of acquisitions, to issue additional shares of its Common Stock from 1973 to 1977 and Series A Special Preference Stock in 1973. The number of shares to be issued will depend upon future earnings of the acquired businesses and the market price of the Corporation's Common Stock at the approximate dates of issue, subject to certain contractual limitations as to the maximum number of shares and a minimum price.

If the earnings of the acquired businesses continue equal to 1972, it is estimated that the equivalent of approximately 1.9 million common shares would be issued over the five year period, and these shares have been reflected in the computations of earnings per share (averaged as to purchased businesses). Of this amount, 1.3 million shares are based on earnings through 1972. Increased earnings of these acquired businesses could, according to the terms of the contracts, result in issuances of up to the equivalent of an estimated 3.9 million additional common shares. However, the Corporation expects, based on contract time limits and other factors, it is unlikely that more than an estimated 400 thousand of the 3.9 million shares would be issued. In either case, the increase in earnings required to generate the issuance of such estimated additional shares would have the effect of increasing earnings per share over that which would otherwise be realized.

The Corporation may also be obligated to pay up to an additional $10.5 million in cash during the years 1974-1977 and $3.0 million in "Senior" Special Preference Stock in 1974 under formulas based on profits of acquired businesses.

Compliance With Environmental Standards

THE ANACONDA COMPANY (DEC)

Financial Review

Protection of the Environment—Federal, state and local jurisdictions over nearly all company operating locations are engaged in developing new, or amending existing regulations covering the discharge of materials into the environment, or otherwise intended to protect the environment. The regulations include emission and ambient air standards that could materially affect company metallurgical operations, effluent and water quality regulations that could materially affect its mining, metallurgical and manufacturing operations, and surface mining regulations that could materially affect its minerals exploration and open-pit mining operations. The level of the company's capital expenditures, its earnings and its competitive position are all subject to variation from the impact of the new or amended regulations and their enforcement, but the extent of the possible variation cannot presently be forecast with any assurance of accuracy.

In particular, the Environmental Protection Agency (EPA), a federal agency, has proposed standards to limit emissions from Anaconda's copper smelter in Montana.

Anaconda has estimated that under this proposed standard it could be forced to expend an additional $60 million in connection with the air pollution control program at the smelter. In addition, some investments made already in the program would be rendered purposeless. A suit was brought by Anaconda against the Environmental Protection Agency in the United States District Court for the District of Colorado challenging the propriety of the proposed emission standard. Anaconda in December 1972, obtained favorable preliminary relief from the court in connection with this matter, and such relief has by stipulation been made permanent, but is now subject to appeal by EPA.

Also in connection with the same smelter, the State of Montana has promulgated an emissions standard of the same magnitude as the one proposed by the federal agency. This standard is scheduled to go into effect on July 1, 1973, and Anaconda will seek relief from its enforcement.

THE CHESAPEAKE CORPORATION OF VIRGINIA

Notes to Consolidated Financial Statements

Note 7: Commitments and Other Matters— Capital expenditures of $6,000,000 are anticipated during 1973 to comply with presently known state and federal water control requirements. Certain standards under new federal water legislation have not yet been established; therefore, the company cannot now determine whether or to what extent any further capital costs will be incurred to comply therewith. In addition, capital expenditures of $3,500,000 are anticipated by July, 1975 to comply with presently known governmental requirements relating to air pollution control. Commitments for other capital expenditures and contractual obligations total approximately $900,000.

The company is contingently liable as guarantor of loans of approximately $916,000, including $288,000 with respect to a 50%-owned company. One subsidiary is a participant with nine other unrelated companies in a joint and several guarantee of loans in the amount of $1,700,000.

MIDWEST RUBBER RECLAIMING COMPANY (OCT)

Note 4: Environmental Considerations— On July 28, 1972 a complaint against the company was brought before the Pollution Control Board of Illinois by the Environmental Protection Agency charging the company with violating the Environmental Protection Act of Illinois by causing and allowing the emission of odors from its plant. The complaint seeks to impose fines and and to require the company to discontinue the alleged violations. Because the company has engaged in an odor control program which has very materially helped to abate such odors as its plant may originate and now has in present prospect a more expansive program designed for even greater odor control, the company does not agree that it has violated existing rules and regulations.

MOSINEE PAPER CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 6: Commitments and Contingencies— As of December 31, Mosinee Paper Corporation had unexpended balances totaling approximately $191,000 under approved authorizations for plant extension and improvement projects, and $1,155,000 for pollution abatement facilities.

Mosinee Paper Corporation is continuing its compliance program under water pollution abatement orders received from the Department of Natural Resources of the State of Wisconsin. As of December 31, 1972, construction has begun on facilities which are expected to meet, or exceed, the limits established by such orders no later than August 1, 1973. In addition, the Environmental Protection Agency, pursuant to the provisions of the Federal Water Pollution Control Act Amendments of 1972, has been directed to establish guidelines for effluent limitations which will apply to the State of Wisconsin. Although these Federal effluent limitations have not been promulgated as of the date of this report, the Company is proceeding with a comprehensive program of water pollution abatement which it believes will meet anticipated Federal effluent limitations as finally developed.

Mosinee Paper Corporation is also subject to air pollution abatement orders from the Department of Natural Resources of the State of Wisconsin. However, the Environmental Protection Agency has assumed ultimate jurisdiction in the area of air pollution activities by virtue of its power to give final approval to all state programs and standards. The Company has petitioned the Department of Natural Resources requesting modification of the proposed compliance dates and has submitted a revised timetable. As of the date of this report, the Department of Natural Resources' final order has not been issued and final approval of the Environmental Protection Agency has not been received. The Company is presently completing its investigation of alternative methods of meeting its air pollution abatement compliance requirements.

In order to comply with the water and air pollution abatement orders now in effect, and expected to be received in the future, the Company is committed to expend substantial amounts of funds which will be in excess of those expenditures which have already been made and those which are presently authorized.

Celluponic Systems, Inc., wholly-owned subsidiary, is defendant in a lawsuit by a former employee in connection with a contract of employment, in which the plaintiff claims a substantial amount of damages. In the opinion of counsel, the lawsuit has no basis in fact and the ultimate liability, if any, would not have a materially adverse effect on the financial position of the company.

Economic Stabilization Act of 1970

THE BUDD COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 13: Contingencies and Commitments— In July 1971 the Federal Trade Commission issued a complaint against the company alleging that the acquisition of Gindy Mfg. Corporation and subsidiaries violated Section 7 of the Clayton Act. The complaint seeks the divestiture of the acquired companies if the alleged violation is established. The company has filed its answer to the complaint in which it denies that any violation of Section 7 of the Clayton Act has occurred. The outcome is not known at this time. Sales of Gindy accounted for less than 10% of consolidated sales in both 1972 and 1971.

In August 1972, Budd filed petitions with the Price Commission seeking to have its base period profit margin adjusted to give effect to the prior discontinuance of certain operations. The 1972 earnings may be considered by the Cost of Living Council to exceed the permitted Phase II profit margin by a fraction of a percent, equivalent to approximately $600,000 after taxes (9 cents per share). The final decision of the Cost of Living Council and the resultant effect, if any, upon 1972 earnings is still pending.

At December 31, 1972 the company had purchase commitments for major plant expansions of approximately $5,000,000.

GAF CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 11 (in part): Commitments and Contingent Liabilities— The Company has pending with the Cost of Living Council (formerly the Price Commission) a request for an increase in its "base period profit margin" under Phase II of the Government's Economic Stabilization Program. In the event the Company's request is denied in its entirety, the Company's 1973 net income could be adversely affected by approximately $700,000, because its 1972 profit margin exceeded its base period profit margin.

GEORGIA-PACIFIC CORPORATION (DEC)

Note 4: Economic Stabilization Act— Prices of the Company's products and wages of its employees are regulated under the Economic Stabilization Act of 1970. During 1972 Georgia-Pacific was audited by the Internal Revenue Service as to compliance with Price Commission regulations. No notice of deficiency or noncompliance was issued as a result of this examination. Management believes that the Company has complied with all terms and conditions of the applicable regulations of the Act.

WHITTAKER CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note 8 (in part): Commitments and Contingencies— Whittaker's domestic operations were subject to regulations issued by the Price Commission and Pay Board implementing Phase II of the Economic Stabilization Program. The complexity of the Phase II regulations, lack of guiding precedent and attendant uncertainty concerning the application of the regulations may have resulted in violations by Whittaker in certain situations. Violation of the Economic Stabilization Regulations may result in a requirement that the violator refund or rollback illegal price increases and, in some instances, refund three times the amount of the overcharge, and may subject the violator to civil penalties of up to $2,500 and criminal penalties of up to $5,000 per violation. The Internal Revenue Service is currently conducting a routine audit of Whittaker's compliance with such Regulations at several operating units. Although the audit has not been completed, Whittaker believes that any possible violations of such Regulations will not have a material adverse effect upon its results of operations or financial position.

Commitment for Disposal of Assets

IOWA BEEF PROCESSORS, INC. (OCT)

Notes to Consolidated Financial Statements

Note J: Contingencies—The Company has agreed to a judgment by consent decree in an anti-trust action instituted in February 1969, by the United States Department of Justice. Under the terms of the decree, the Company has until March 20, 1973 to dispose of the LeMars and Mason City, Iowa, plants acquired in the 1969 merger with Blue Ribbon Beef Pack, Inc. The effect, if any, which may result from disposal of the plants is not determinable at this date. If significant, the effect will be treated as an adjustment to a prior period.

Operations of these plants included in the accompanying financial statements are summarized below. Sales include intercompany sales of $25,966,000 for 1972 and $15,955,000 for 1971. Earnings data reflect an allocation of administrative expenses and income taxes.

	1972	1971
Sales	$103,702,000	$81,618,000
Net earnings (loss)	38,000	(168,000)
Net earnings (loss) per share	$ .02	($.07)

The operations of the Dakota City, Nebraska, Fort Dodge, Mason City and LeMars, Iowa, plants were adversely affected by a labor dispute for a period beginning the latter part of fiscal 1969 and extending approximately six months into fiscal 1970. The Company's suit against the union claiming damages resulting from the shut-down of the three plants in Iowa is pending at this date.

GREAT WESTERN UNITED CORPORATION (MAY)

Notes to Financial Statements

Note 11 (in part): Commitments and Contingent Liabilities: Possible Disposition of Great Western Sugar— On April 27, 1972 officials of Great Western United Corporation and of Great Western Producers Co-operative signed a letter of intent with respect to the proposed sale of Great Western Sugar to the Co-operative. The

Co-operative was organized by a group of sugar beet growers for the purpose of purchasing Great Western Sugar. It is intended that the transaction will involve the sale of the stock of Great Western Sugar, together with any other assets, proceeds and rights relating to the sugar business, for an amount approximating its consolidated stockholder's equity. If the sale is consummated, management contemplates the write-off of the unamortized excess of the Company's cost of investment in Great Western Sugar over its equity in net assets. (See Note 1).

The manner and method of payment of the purchase price and other essential terms of the purchase are to be provided for in a definitive agreement. There is no assurance that a definitive agreement will be executed or, if executed, whether its terms will be consistent with those set forth in the letter of intent dated April 27, 1972.

A condensed balance sheet of Great Western Sugar as of May 31, 1972 is as follows:

	($ thousands)
ASSETS:	
Current assets	$ 81,210
Properties (net)	63,490
Other assets	573
Total	**$145,273**
LIABILITIES AND STOCKHOLDER'S EQUITY:	
Current liabilities	$ 53,488
Long-term debt	38,683
Deferred income taxes	2,279
Stockholder's equity	50,823
Total	**$145,273**

Net sales and net income of Great Western Sugar for the year ended May 31, 1972 were $180,496,000 and $3,729,000, respectively.

CONTINGENT ASSETS

Table 1-21 shows the nature of contingent assets disclosed in the 1972 annual reports of the survey companies. Examples of contingent asset disclosures follow.

TABLE 1-21: CONTINGENT ASSETS

	1972	1971	1970	1969
Operating loss carryforwards	60	54	49	41
Investment credit carryforwards	44	32	29	37
Claims against government	12	13	12	16
Patent infringement suits	7			
Other	14			
Total Disclosures	**137**	**99**	**90**	**94**
Number of Companies disclosing contingent assets	94	77	71	70

Loss or Investment Credit Carryforwards

AMPEX CORPORATION

Notes to Consolidated Financial Statements

Note 14: Income Taxes—The income tax expense (credit) consists of:

	Year Ended	
	4/29/72	**5/1/71**
	($ thousands)	
Provision for foreign and state taxes on income	3,057	2,464
Net deferred tax credits eliminated on basis of net operating loss carryforwards	(1,748)	(7,584)
Refundable federal taxes arising from carryback of net operating loss to prior year	--	(10,853)
	1,309	**(15,973)**

The Company has filed in the Court of Claims a suit for refund of a portion of the federal income taxes paid for the fiscal year ended in 1965. The point at issue, which is also present in subsequent years, relates to the taxability by the United States of certain income of a 50% owned foreign company. In the opinion of special tax counsel, there is a reasonably good possibility that the suit will be settled on a basis favorable to the Company.

Examination by the Internal Revenue Service of federal income tax returns of the Company for the fiscal years ended in 1966 and 1967 has reached the point where definitive issues have been developed, of which the pricing of sales to related companies and the evaluation of inventories are of primary significance. Taking into account the availability of net operating loss carrybacks to 1968, the Company has, primarily in prior years, provided $2,700,000, which management believes to be a reasonable provision for possible additional federal income taxes and interest for the years 1966 through 1972. Even if the litigation described above were to be unsuccessful, the outside measure of exposure is estimated to be $4,800,000 in cash. In addition, any settlement of the litigation and examination issues is likely to consume a substantial portion of the federal net operating losses shown below.

At April 29, 1972, on the basis of returns filed (and to be filed for the 1972 fiscal year), the Company had carryforwards as reflected below:

	($ thousands)			
			Foreign	
Expires at Close	Net Operating Losses		Tax	Investment
of Fiscal Year	Federal	Foreign	Credits	Credits
1974	--	79	--	--
1975	--	423	1,532	--
1976	6,710	96	1,138	--
1977	72,015	1,386	1,345	--
1979	--	--	--	947
1980	--	27	--	312
No expiration date	--	1,237	--	--
	78,725	**3,248**	**4,015**	**1,259**

In addition, losses reported cumulatively to April 29, 1972 for financial statement purposes exceed those reported for tax purposes by $13,000,000 which is available to reduce taxable income of future years.

No United States taxes have been provided on undistributed earnings of foreign subsidiaries and associated companies inasmuch as management has no present intention to repatriate such earnings in a manner which would create a U.S. tax liability. Similarly no provision has been made for foreign withholding taxes which might be due with respect to eventual distribution of any amounts respecting such undistributed earnings of approximately $61,000,000. During the year AWOSA (see Note 5) made loans and advances aggregating approximately $20,000,000 to Ampex Corporation and its subsidiaries. In the opinion of Swiss tax counsel these loans and advances were not subject in 1972 to Swiss withholding tax.

FIRST NATIONAL STORES INC. (MAR)

Notes to Financial Statements

Note 5: Federal and State Income Taxes—The provision for federal and state income taxes comprises:

	1972	1971
	($ thousands)	
Income taxes currently payable (refundable)	$(350)	$ 565
Deferred income taxes	(1,100)	2,035
	$(1,450)	**$2,600**

The federal income tax provisions for 1972 and 1971 have been made on the basis of the taxes which would have been payable (or refundable) based on book income (or loss) for those years, reduced by investment tax credits of $225,000 for 1971.

The net balance of deferred income taxes represents the tax effect of timing differences in reporting income and expenses for book and tax purposes, primarily as a result of the use of accelerated depreciation for tax purposes.

At March 25, 1972 the Company had approximately $1,500,000 of unused investment tax credits available for carryforward to future years, of which $450,000 has been recognized for book purposes. These carryforwards expire as follows: 1978— $400,000, 1979— $800,000 and 1980— $300,000.

GRANGER ASSOCIATES (AUG)

Notes to Financial Statements

Note 6: Income Taxes—Unused net operating loss carryforwards and investment tax credits are available to reduce federal income taxes of future periods as follows:

Expiration	Net Operating Losses	Investment Tax Credits
August 31, 1974	$ 84,000	---
August 31, 1975	1,662,000	---
August 31, 1976	421,000	13,000
August 31, 1977	906,000	---
August 31, 1979	---	1,000
	$3,073,000	**14,000**

LYNCH CORPORATION (DEC)

Notes to Financial Statements

Note 5: Federal Income Taxes—No provision for federal income taxes is required for 1972 because of the loss for the year. At December 31, 1972, the aggregate carryforward loss was $7,482,561 which expires as follows:

1973	$ 2,641
1974	100,898
1975	676,980
1976	4,112,722
1977	2,589,320
	$7,482,561

In addition there are investment tax credits available of $159,000 which expire from 1973 to 1978.

The examination of the Company's federal income tax returns for the years 1966, 1967 and 1968 was completed during the year without any significant changes made by the Internal Revenue Service.

Because of the timing difference, the loss of $2,800,000 relating to the disposition of the Symphonic assets and termination costs does not become available for federal income tax purposes until 1973 and is therefore not included in the carryforward loss of $7,482,561.

MOLYBDENUM CORPORATION OF AMERICA (DEC)

Notes to Consolidated Financial Statements

Note 6: Income Taxes—Of the 1972 income tax provision of $1,685,530, $145,435, is the portion estimated to be currently payable and $1,540,095 is deferred and represents the net effect of current and prior year's timing differences.

The principal differences in the computation of income for corporate accounting and for federal income tax purposes have been percentage depletion and timing difference deductions of development and exploration costs and guideline accelerated depreciation in excess of book depreciation. These timing differences have resulted in aggregate tax return deductions to December 31, 1972 of $34,039,131 in excess of expenses reflected in the corporate statements. Of this amount $21,128,438 has been used to offset taxable income for which tax benefit of $6,264,218 has been deferred as of December 31, 1972 and $12,910,693 has not yet been used to offset otherwise taxable income and constitutes the Company's net tax basis loss carryforward, provided that 1972 expenditures for development drilling and stripping costs are deferred for tax purposes. Decision regarding the tax treatment of the 1972 costs will be made at the time of filing the 1972 tax return.

The operating loss carryforward is comprised of amounts which expire as follows:

December 31, 1973	$ 806,750
December 31, 1974	4,306,518
December 31, 1975	7,797,425
	$12,910,693

At December 31, 1972 the Company had $3,134,053, of investment tax credits available to reduce future income tax payments through 1979. These credits expire as follows:

December 31, 1974	$ 53,253
December 31, 1975	390,134
December 31, 1976	1,783,101
December 31, 1977	302,020
December 31, 1978	195,714
December 31, 1979	409.831
	$3,134,053

Of the total credit, $1,671,730 has been applied through December 31, 1972 (none in 1972) in calculating deferred income taxes.

The Company's federal income tax returns for all years through 1968 have been examined and closed.

Other

AMERICAN STANDARD INC. (DEC)

Notes to Consolidated Financial Statements

Litigation—As previously reported, in 1968 Crane Co. brought a suit against the Company to restrain its merger with Westinghouse Air Brake Company (WABCO). A trial court decision in favor of the Company was in part reversed the following year by the United States Court of Appeals, on the ground that stock market activity of the Company on a single day during the proxy soliciting period violated Federal Securities Laws. The District Court to which the case was remanded for determination of remedies dismissed Crane's demand for damages. A Crane motion has been pending in that Court for more than a year seeking a reruling on such dismissal, or in the alternative, a new trial at which its claim for damages could be heard.

On July 6, 1972, the Federal District Court decided a cross-motion for summary judgment in favor of the Company in its suit under Section 16b of the Securities Exchange Act of 1934 to recover from Crane its profits from American-Standard and WABCO shares. The Court must now determine the exact amount of the profits to be paid to the Company.

Neither management nor counsel for American-Standard believe that any of the pending Crane litigation will have any material effect on American-Standard.

BATH INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Litigation—In December, 1966, Congoleum Industries, Inc. (a subsidiary) instituted a patent infringement action against Armstrong Cork Company in the Federal District Court for the Eastern District of Pennsylvania. On February 23, 1972, Judge John B. Hannum of the Eastern District Court filed Findings of Fact, Discussions, Conclusions of Law and Order that Judgment be entered in favor of Congoleum and against Armstrong, holding that Congoleum's process and products patents relating to chemically embossed vinyl foam floor coverings are valid and have been infringed. Congoleum's relief, in terms of an accounting for past damages and a permanent injunction, has been deferred pending the disposition of ancillary issues before the District Court and an appeal taken by Armstrong to the Circuit Court of Appeals. Similar actions against three other competitors have been settled on a basis favorable to Congoleum.

In April, 1971, an action was commenced by Armstrong Cork Company and Armstrong Cork Canada, Ltd., in the Federal District Court for the Eastern District of Pennsylvania, against Congoleum and Bath. This action relates to the two Congoleum patents (and their foreign counterparts) which are the subject of Congoleum's infringement action against Armstrong and alleges a combination and conspiracy by Congoleum, Bath and others, by misuse of such patents, to restrain and monopolize trade, in purported violation of the Sherman and Clayton Antitrust laws. The complaint seeks injunctive relief and damages in the amount of "at least $40,000,000" in favor of Armstrong Cork Company and in the amount of $5,000,000 in favor of Armstrong Cork Canada, Ltd., with the request that such respective damages be trebled. Motions by Congoleum and Bath to dismiss this action are pending. In the opinion of Messrs. Drinker, Biddle & Reath of Philadelphia, of counsel for Congoleum in its infringement action against Armstrong and in the Armstrong antitrust action, the claims asserted by Armstrong in its action are without merit and, when and if the Armstrong antitrust action is prosecuted, Congoleum and Bath will have valid and effective defenses thereto and, accordingly, should not be subject to any liability in connection therewith.

BOISE CASCADE CORPORATION (DEC)

Notes to Financial Statements

Note 7 (in part): A subsidiary of the Company, Shanghai Power Co., formerly owned and operated an electric utility serving Shanghai, China. Its properties were taken over by the People's Republic of China in 1950. Pursuant to the China Claims Act, the U.S. Foreign Claims Settlement Commission has certified a claim against the People's Republic of $55,600,000 plus interest at 6% from 1950 for the expropriated properties. The Company has been informed that as part of the efforts to normalize relations between the United States and the People's Republic, negotiations will be undertaken during 1973 between the two governments seeking to settle this and similar claims against the People's Republic by other American nationals aggregating approximately $200,000,000. It is not possible, of course, to predict the outcome of those negotiations and therefore the claim is not reflected in the Company's assets.

The Company owns 80% of the common stock of Shanghai Power Co. which also has outstanding preferred stock and debentures. The Company believes that these other securities have no value nor any claim to the assets of Shanghai Power Co. because they were issued in Chinese currency which had become worthless prior to or at the time of the 1950 take-over. A declaratory judgement action was commenced in 1972 in the Chancery Court of Delaware, the state of incorporation of Shanghai Power Co., to determine the respective rights of all securities holders.

GENERAL DYNAMICS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Polices: Claims Against the U.S. Government—From 1967 through 1972, the Corporation provided for substantial cost overruns on fixed price commercial, naval submarine and surface ship contracts at its Quincy Shipbuilding Division. The Corporation believes that a significant portion of the cost overruns on the naval submarine and surface ships can be attributed to contract modifications on ships under construction or constructed in prior years. Claims relating to these contract modifications have been filed with the U.S. Navy. The Corporation believes that the estimated return on these claims, which is significant in amount, together with losses recorded in 1972 and prior years, will equal or exceed total cost overruns on these ships.

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 Standards No. 1,* issued in November 1972, sets forth on pages 123-131 criteria for the proper treatment of subsequent events.

Table 1-22 classifies disclosures of subsequent events included in the 1972 annual reports of the 600 survey companies.

TABLE 1-22: SUBSEQUENT EVENTS

Nature	**1972**	**1971**	**1970**	**1969**
Business combinations pending or effected	51	45	69	105
Sales of assets	37	22	20	12
Devaluation of Dollar	32	–	–	–
Stock splits or dividends	23	27	2	11
Debt incurred reduced or refinanced	28	24	65	45
Litigation	21	14	22	10
Employee benefits	11	14	29	9
Other	26	25	99	82
Total Disclosures	**229**	**171**	**306**	**274**
Number of Companies				
Disclosing subsequent events	180	147	226	205
Not disclosing subsequent events	420	453	374	395
Total	**600**	**600**	**600**	**600**

Examples of subsequent event disclosures follow.

Business Combinations

BAKER OIL TOOLS, INC. (SEP)

Notes to Financial Statements

Note 2 (in part): Acquisitions—In October 1972, the Company exchanged 184,000 shares of its common stock for all of the outstanding capital stock of Exploration Logging, Inc. ("Exlogg") in an acquisition to be accounted for as a pooling of interests during the year ended September 30, 1973. Below is a summary of the pro forma results of operations of the Company and Exlogg combined for the years ended September 30, 1972 and 1971 (net income has been reduced by $170,000 and $70,000, respectively, in order to conform Exlogg's method of accounting for United States income taxes on foreign earnings not repatriated with that of the Company):

	1972	**1971**
Revenues	$154,984,000	$108,238,000
Net income	$ 10,065,000	$ 8,202,000
Net income per share	$ 2.12	$ 1.89

COLLINS & AIKMAN CORPORATION (FEB)

Notes to Consolidated Financial Statements

Note 1 (in part): Basis of consolidation—On March 31, 1972, the Company issued 635,000 shares of common stock for the business and net assets of Tennessee Tufting Company in a transaction which will be accounted for as a pooling of interests. If the accounts of Tennessee Tufting were included in the accompanying consolidated financial statements, sales would have been $313,064,892 and $274,516,177 and net income $18,367,699 and $14,484,501 for 1972 and 1971, respectively. Net income per share after such inclusion would have been $1.61 and $1.32 on average common shares outstanding and $1.54 and $1.23 on a fully diluted basis in 1972 and 1971, respectively.

HALLIBURTON COMPANY (DEC)

Notes to Financial Statements

Note 10: Subsequent Events—In January 1973 the Company acquired all of the outstanding shares of Ebasco Services Incorporated and Vernon Graphics, Inc. for a cash consideration of $65,000,000. These acquisitions will be accounted for as a purchase and the results of their operations will be included in the Company's financial statements beginning January 1, 1973. The purchase price exceeded the combined net assets of Ebasco Services and Vernon Graphics, at January 1, 1973, by approximately $55,000,000 and this excess will be amortized over forty years beginning in 1973. During 1972, the combined revenues and net income of these companies were $218,000,000 and $4,700,000, respectively.

Board of Directors

IOWA BEEF PROCESSORS, INC.

We have examined the accompanying consolidated balance sheet of Iowa Beef Processors, Inc., and subsidiary as of October 28, 1972 and October 30, 1971, and the related statements of earnings, stockholders' equity and changes in financial position 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 aforementioned consolidated financial statements present fairly the financial position of Iowa Beef Processors, Inc., and subsidiary at October 28, 1972 and October 30, 1971, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Kansas City, Missouri,
December 8, 1972,
(December 15, 1972, as to Note K)

Notes to Consolidated Financial Statements

Note K: Subsequent Event—On December 15, 1972, the Company and Missouri Beef Packers, Inc., jointly announced that preliminary talks are being held looking toward the possibility of combining the two companies. No agreement has been reached and any merger would be subject to stockholder approval and the resolution of numerous practical and legal matters.

PET INCORPORATED (MAR)

Financial Review

Subsequent Merger— On April 3, 1972, the company issued 250,000 shares of its common stock for all of the common stock of Glaser Drug Company, Inc. and sixteen affiliated corporations. For accounting purposes, the exchange will be treated as a pooling of interests.

If the business combination had been effective in the two years ended March 31, 1972, the sales and the earnings and earnings per share before extraordinary item would have been as follows:

Year Ended March 31	**1972**	**1971**
Net sales	$787,588,520	$735,506,054
Before extraordinary item—		
Earnings	21,931,465	20,351,483
Primary earnings per share of common stock	$3.22	$3.02
Fully diluted earnings per share of common stock	2.97	2.80

RAYGO, INC. (OCT)

Notes Consolidated Financial Statements

Note 12: Subsequent Events—On November 8, 1972 RayGo entered into an Agreement and Plan of Merger with FMC Corporation. Under the terms of the Agreement and Plan of Merger, RayGo will be merged into FMC Corporation and each share of RayGo Common Stock will be exchanged for .2407 share of FMC Common Stock on the effective date of the merger. The transaction will be accounted for as a pooling of interests. However, the following public statement was issued by RayGo on January 24, 1973 which, in effect, disclosed the following:

"The management of RayGo will not recommend a favorable vote by its shareholders for a proposed merger with FMC Corporation. FMC and RayGo entered into an agreement of merger calling for the exchange of one share of RayGo stock for .2407 shares of FMC stock. The agreement of merger provides for consummation by February 28, 1973 which management feels is unlikely to occur because further clearance is needed from SEC, and it is the present intention of the RayGo Board to terminate the agreement if not consummated by that time."

"The management of RayGo is extremely disappointed and discouraged in the decrease of the price of FMC stock since November 8, 1972, as reflected by the closing price on the New York Stock Exchange, Wednesday, January 24, 1973 at $20.00. Because of such decrease, RayGo management could not recommend to its shareholders to vote for the merger pursuant to the present terms of the agreement for merger."

On November 15, 1972 RayGo transferred certain assets of its Deltak Division to the newly formed Deltak Corporation in return for 160,100 shares of its Common Stock. No tangible assets were transferred. Intangible assets transferred had no basis in RayGo. RayGo intends to distribute such Deltak Common Stock to its stockholders on a pro rate basis prior to the effective date of the merger with FMC Corporation.

The following unaudited pro forma statement of income for the two years ended October 31, 1972 shows the operating results of the Deltak Division. The income is not necessarily indicative of what the results of operations would have been had the division operated as a separate entity.

	Pro Forma Year Ended October 31,	
	1972	**1971**
	(Unaudited)	
Net Sales	$432,583	$163,810
Cost of Goods Sold	274,366	118,400
Other Expenses	133,375	68,712
Income Taxes (1)	12,669	(11,884)
	420,410	**175,228**
Net Income (Loss) (2)	**$ 12,173**	**($ 11,418)**

(1) The tax effect has been computed on an assumed rate of 51% with the further assumption that taxable losses were absorbed on a consolidated basis.

(2) The resultant income or loss of the Deltak Division did not result in a change in the primary earnings per common and common equivalent share of the consolidated group.

Sale of Assets

METRO-GOLDWYN-MAYER INC. (AUG)

Notes to Financial Statements

Note 11 (in part): Subsequent Events: Sale of Subsidiary Company—On November 1, 1972, the Company completed the sale of Affiliated Music Publishers Ltd., its United Kingdom-based publishing company, to E.M.I. Ltd. The consideration received by the Company includes dividends in addition to approximately $8,400,000 in cash from the sale of the stock. The gain on this sale will be reflected in earnings reports for the fiscal year ending August 31, 1973.

The Company accounted for Affiliated on the equity basis for the year ended August 31, 1971, and for the 10 months ended June 30, 1972, since only 50% of the stock was owned. The financial statements of Affiliated have been included in the accompanying consolidated financial statements since June 30, 1972, the month the remaining 50% interest was acquired. The consolidated statements of income for the years ended August 31, 1972 and 1971, include net income attributable to Affiliated of $655,000 and $411,000, respectively.

BOISE CASCADE CORPORATION

Balance Sheets

	Pro forma Dec 31 **1972** (Note 14) (Unaudited)	Dec 31 **1972**	**1971**
	($ thousands)		
ASSETS			
CURRENT			
Cash	$ 83,636	$ 71,267	$ 78,957
Receivables, less reserves of $2,875,000 and $5,252,000	147,717	170,196	227,405
Inventories, at lower of average cost or market	171,012	180,410	210,284
Amounts due from divestitures (Notes 3 and 14)	22,311	83,429	--
	424,676	**505,302**	**516,646**
ASSETS OF REALTY OPERATIONS BEING DISCONTINUED (NOTE 3)	344,075	344,075	518,634
PROPERTY (NOTE 1)			
Property and equipment	746,633	782,394	930,895
Accumulated depreciation	(307,239)	(322,249)	(342,402)
	439,394	**460,145**	**588,493**
Timber and timberlands	108,336	125,038	123,777
OTHER			
Foreign government notes and bonds (Note 6)	174,159	228,839	237,595
Investment reserve (Note 7)	(80,772)	(69,647)	(42,356)
Investment in joint ventures and affiliated companies (Notes 1 and 5)	59,966	59,966	51,354
Deferred tax benefits (Note 1)	38,068	49,802	--
Other assets	68,097	78,520	114,590
	$1,575,999	**$1,782,040**	**$2,108,733**
LIABILITIES			
CURRENT			
Notes payable	$ 3,355	$ 55,133	$ 53,946
Current portion of long-term debt	31,609	80,743	35,251
Accounts payable and accrued liabilities	245.944	260,327	225.619
	280,908	**396,203**	**314,816**
REALTY			
Realty debt (Note 9)	216,685	219,435	416,845
Other realty liabilities	18,808	18,808	55,422
	235,493	**238,243**	**472,267**
DEBT			
Long-term debt, less current portion (Note 8)	386,946	523,183	507.318
OTHER			
Deferred income taxes	--	--	5,790
Minority interests in subsidiaries	6,332	6,691	16,011
SHAREHOLDERS' EQUITY (NOTE 10)			
Preferred stock	5,543	5,543	5,543
Common stock	77,881	77,881	77,881
Additional paid-in capital	400,638	400,638	400.648
Retained earnings	182,310	133,710	308,468
Treasury stock, at cost	(52)	(52)	(9)
	666,320	**617,720**	**792,531**
	$1,575,999	**$1,782,040**	**$2,108,733**

Note 14: Subsequent Events—In January and March, 1973, the Company sold certain Latin American bonds having a book value of $54,680,000, $22,000,000 of which is reflected in "Amounts due from divestitures" in the balance sheet column headed "Pro forma." The Company also announced in February, the sale of Chemical Construction Corporation.

In February, 1973, the Company announced the sale of the northern California timber and wood products operation headquartered at Fort Bragg, California. The Company will record this sale and the resulting after-tax extraordinary gain of approximately $48,600,000 in 1973.

These sales essentially complete the Company's planned divestiture of non-realty businesses and investments. Because of the significant impact of the divestiture program upon the financial condition of the Company, the effect of 1973 divestitures and amounts received from divestitures is reflected in the accompanying balance sheets in the column headed "Pro forma, December 31, 1972." The cash received in these subsequent events was $254,000,000 of which $104,500,000 was applied to reduce current notes payable and $132,600,000 to reduce long-term debt.

The devaluation of the United States dollar in February, 1973, did not have a significant impact upon the financial statements of the Company.

Also in March, 1973, the Company reached agreement with its principal lenders as to the terms of the re- structured loan agreements (Note 8).

MAULE INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 8: Subsequent Event—On February 26, 1973, the Company executed a Deposit Receipt Contract to sell approximately 565 acres of its reserve quarry land in Dade County, Florida. The closing on this contract is subject to the Company delivering evidence of good, marketable and insurable title to said land within the time period prescribed. The contract provides that the purchase price of approximately $7,062,000 shall be paid in cash at closing. If this sale is consummated, the Company will realize a gain of approximately $5,500,000, exclusive of federal and state income taxes.

WARD FOODS, INC. (DEC)

Notes to Financial Statements

Principles of Consolidation (in part)—In January 1973, the Company completed the sale of two of its wholly-owned subsidiaries. The 1972 financial statements give effect to these transactions since the negotiations for sale had been substantially completed prior to December 30, 1972. The sales of the Company for 1972 and 1971 exclude the sales of these subsidiaries, which amounted to $14,081,000 and $11,745,000, respectively. Additionally, the sales for 1971 exclude the sales of another subsidiary sold in that year aggregating $14,338,000. Operating results of such subsidiaries are included in the consolidated statements of operations under the caption "Income From Discontinued Operations."

Devaluation of Dollar

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 9: Subsequent Events—Translation of the December 30, 1972 accounts of foreign subsidiaries into United States dollars at applicable rates of exchange in effect on February 16, 1973 resulted in an unrealized gain of $994,000 due to changes in rates of exchange from December 30, 1972 occasioned by devaluation of the United States dollar on February 12, 1973.

The Company believes that rates of exchange will continue to fluctuate until a new international monetary agreement is reached and, accordingly, the amount of unrealized gains or losses at any future date is unknown at this time.

CONTINENTAL OIL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 11: Subsequent Event—A preliminary determination of the effect of the devaluation of the United States dollar announced February 12, 1973, based on the balance sheet at December 31, 1972, would indicate translation adjustments resulting in a loss of approximately $4,000,000 (net of tax) and deferral of approximately $14,000,000 attributable to consolidated long-term debt. No retroactive adjustment has been made to reflect these amounts in the accompanying financial statements. See Accounting Policies with respect to currency translation procedures.

GENERAL REFRACTORIES COMPANY (DEC)

Notes to Financial Statements

Note 9: Subsequent Events—In March 1973, the Company disposed of its interest in Northwest Magnesite Company (forty percent owned) which resulted in a gain to be recognized in 1973 of $145,000, net of estimated income taxes of $70,000.

In March 1973, two European subsidiaries entered into loan agreements for a total of 270,000,000 Belgian francs (approximately $7,000,000) to finance the construction of a manufacturing facility in Belgium. The Company has guaranteed the repayment of these loans to the extent of 247,000,000 Belgian francs (approximately $6,400,000).

In February 1973, the U.S. Government devalued the dollar in relation to certain foreign currencies and in March 1973, certain European countries allowed their currencies to float in relation to the dollar. Based on management's estimate, these actions have resulted in a favorable translation adjustment for the Company of approximately $2,000,000 through February 28, 1973. Should the dollar strengthen in relation to these foreign currencies, or should other foreign currencies weaken in relation to the dollar, this adjustment would be reduced or eliminated.

THE TIMKEN COMPANY (DEC)

Notes to Financial Statements

Note C: Subsequent Event—The approximate effect of the devaluation of the U.S. dollar announced in February, 1973 is estimated to be an increase in net assets of approximately $2,000,000 based on the December 31, 1972 foreign currency accounts translated at foreign exchange rates quoted on February 15, 1973. The Company plans to change its accounting policy in 1973 to defer this and similar gains.

Debt

CARNATION COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 9: Subsequent Events—To provide working capital for current and future expansion of its foreign operations, the Company issued on January 25, 1973, outside the United States, $25,000,000 of 4% Convertible Subordinated Debentures due in 1988. The debentures are convertible on and after August 1, 1973 and prior to maturity, unless previously redeemed, at the rate of 9.153 shares of common stock for each $1,000 principal amount (equivalent to a conversion price of $109¼ per share), subject to adjustment under certain circumstances. Initially, 228,825 shares of common stock have been reserved for conversion of the debentures.

CHOCK FULL O' NUTS CORPORATION (JUL)

Notes to Consolidated Financial Statements

Note (3) (in part): Long-Term Debt—On September 26, 1972 the Company guaranteed a loan agreement entered into by the Chock Full o' Nuts Coffee Corp., a subsidiary of the Company, with a bank, whereby the Company can borrow up to an aggregate of $10,000,000 to December 26, 1972, of which amount $1,460,000 had been borrowed as of October 16, 1972. Borrowings are evidenced by unsecured notes due September 26, 1975 and bear interest at rates ranging from the bank's prime rate in the first year to ½ of 1% over the bank's prime rate in the third year. The loan agreement provides that the proceeds of the borrowings will be used to purchase or carry marketable securities listed on national securities exchanges. The loan agreement requires the Company to maintain working capital and operating income (as defined) at specified amounts and restricts the payment of cash dividends and the acquisition by the Company of its common stock and debentures to $1,500,000 plus 65% of net earnings subsequent to July 31, 1972, plus the cash proceeds received from any sales of the Company's common stock.

CHRIS-CRAFT INDUSTRIES, INC. (AUG)

Notes to Consolidated Financial Statements

Note (13): Subsequent Events— During September, 1972, the Company exchanged $730,000 principal amount of its 7% subordinated debentures for $766,000 of 10% subordinated debentures. 7% subordinated debentures not exchanged amounting to $2,898,000, were paid at maturity.

Pursuant to an exchange offer which expired on October 30, 1972, the Company exchanged $7,680,000 principal amount of its 6% convertible subordinated debentures for $4,608,000 of 10% subordinated debentures and 153,600 shares of its common stock.

The 10% subordinated debentures are due on December 31, 1985, and beginning in 1978, require annual sinking fund payments of approximately $161,000, less the principal amount of any debentures redeemed.

As a result of these exchanges, an extraordinary gain of approximately $2,100,000 will be reported in fiscal 1973.

EX-CELL-O CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 5(in part): Term Loans— Because the Company had made voluntary prepayments after November 30, 1972 in the amount of $16,500,000 and expects to repay the entire amount of the loan prior to November 30, 1973, the term loan of $25,000,000 has been classified as a current liability. This decision has the effect of temporarily reducing the current ratio at November 30, 1972 from 2.82 to 1 to 2.09 to 1.

The loan agreements contain restrictive provisions relating principally to the maintenance of working capital and payment of dividends. At November 30, 1972, under the restrictions of the $25,000,000 loan agreement which, as noted above, the Company plans to prepay during 1973, the amount of reinvested earnings not restricted was $7,250,000. Such amount under the most restrictive provisions of the other loan agreements was $50,900,000.

Litigation

GENERAL HOST CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 14 (in part): Litigation— On January 17, 1973 a complaint was filed against the Company by the Securities and Exchange Commission ("SEC") charging violations of various provisions of the federal securities laws in connections with (1) the 1969 exchange offer for Armour and Company, (2) the 1968 acquisition of Li'l General Stores, Inc. and (3) certain transactions involving The Goldfield Corporation. On February 6, 1973 a complaint was filed in the U.S. District Court against the company and various other parties allegedly on behalf of all those who exchanged their Armour securities for the Company's securities pursuant to the 1969 exchange offer. The complaint basically contains the same allegations as the SEC complaint and seeks recovery of unspecified damages. In the opinion of counsel it is premature to express an opinion on the ultimate outcome of these cases, since the underlying events and transactions are diverse and complex and the Company has not had access to the considerable volume of testimony and documentary evidence upon which the SEC complaint is based. In addition, certain of the charges contained in the SEC complaint are based on actions by persons other than the Directors or employees of the Company and consequently the Company is not familiar with the relevant facts. Although adverse determinations in these cases could result in significant liability to the Company, based on information presently available, management and legal counsel believe that the SEC allegations basic to the largest area of potential liability are erroneous. No provision has been made in the financial statements for any liabilities which may arise from these matters because of their presently indeterminate nature.

EMPIRE GAS CORPORATION (JUN)

Consolidated Statement of Retained Earnings

	1972	1971
RETAINED EARNINGS AT BEGINNING OF PERIOD	$10,129,297	$ 7,948,711
Adjustment for additional income taxes and accrued interest on prior years' operations (Note 2)	864,260	
Adjusted balances at beginning of period	9,265,037	7,948,711
Net income	2,298,904	2,180,586
Retained Earnings at End of Period	**$11,563,941**	**$10,129,297**

Note 2: Income Taxes— Empire Gas Corporation and each of its subsidiary companies have filed their federal income tax returns on an individual corporation basis, which results in provisions for income taxes less than those which would have resulted had returns been filed on a consolidated basis. Under the provisions of the Tax Reform Act of 1969, the systematic elimination of multiple corporate surtax exemptions will result in increasingly higher effective federal income tax rates for the years 1972 through 1975 up tô the effective rate on a consolidated basis for years thereafter.

The Internal Revenue Service examined the federal income tax returns filed for the six years ended June 30, 1970, and proposed deficiencies totaling $2,250,000 principally as a result of surtax exemptions disallowed and adjustments in the amount of goodwill capitalized. Terms of settlement (reached in August, 1972) of these claims will require the Company and its subsidiaries to pay additional income taxes and interest not previously provided for, as follows:

		Reduction in Earnings Per Share	
Year Ended June 30	Additional Income Taxes and Interest	Common and Common Equivalent	Fully Diluted
1965	$ 44,150	$.04	$.04
1966	18,141	.02	.02
1967	134,436	.13	.08
1968	121,789	.12	.07
1969	169,416	.15	.10
1970	376,328	.27	.19
	$864,260		

Such additional income taxes and interest have been reflected in the financial statements as of June 30, 1972.

The returns for the years ended June 30, 1971 and 1972, have not been examined by the Internal Revenue Service; however, adequate provision has been made for possible additional taxes resulting from the application of the above adjustments to those years.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

Notes to Consolidated Financial Statements

Litigation (in part)— In January 1973, the litigation between Control Data Corporation and IBM in the Federal district court was dismissed pursuant to an out-of-court settlement which included mutual releases of all pending claims between the parties. The principal terms of the settlement provide that IBM: sell The Service Bureau Corporation to CDC for approximately $16,000,000 (SBC operations for 1972 are included in the consolidated financial statements and amounted to approximately $1,500,000 of net earnings on gross revenues of $63,000,000); not engage in the data services business in the United States for six years; contact for data processing services from SBC of approximately $5,000,000 per year for five years; contract for research and development work by CDC in the amount of $6,000,000 per year for five years with rights to products developed thereunder available to both parties; provide for reimbursement to SBC for retirement and other fringe benefits of current SBC employees of approximately $2,600,000 per year for ten years; and reimburse CDC for expenses, including legal fees, in the amount of $15,000,000. CDC and IBM also extended their agreement for world-wide patent cross-licensing until 1978. Appropriate provision was made in 1972 for costs of the settlement.

PUROLATOR, INC. (DEC)

Notes to Consolidated Financial Statements

Note (9): Contingencies—In an amended complaint filed January 22, 1973 in the United States District Court for the Middle District of Florida, Wynn Oil Company has charged the Company, one of its subsidiaries and two individuals with, among other things, breach of contract, violations of Federal and Florida anti-trust laws, tortious interference with contractual relations and trademark infringement. Total damages are claimed to exceed $40,800,000, and the amended complaint also seeks injunctive relief. The original action, filed in 1971, claimed $38,762 for goods sold and delivered. Since the amended complaint has just recently been filed, the Company and counsel have not yet had the opportunity to gather or evaluate the information required for a definitive appraisal of the merits of these claims. However, on the basis of their general familiarity with the issues raised and upon preliminary talks with management, counsel believes that full and complete defenses exist with respect to each of the assertions in the amended complaint. Accordingly, in the opinion of the Company, the ultimate outcome of this litigation will not have a material adverse effect on the consolidated financial position of the Company.

Other

ASG INDUSTRIES INC. (DEC)

Notes to Financial Statements

Note 10: Preferred Stock and Subsequent Event—On January 12, 1973, the shareholders approved a plan of recapitalization which amended the Certificate of Incorporation of the Company to eliminate the 5% Cumulative Preferred Stock (including dividend arrearages of $2,098,947) by reclassifying each share of Preferred Stock into three shares of Common Stock. The 142,907 shares of 5% Cumulative Preferred Stock were reclassified into 428,721 shares of Common Stock. Assuming this action had been taken at the beginning of the periods presented, earnings and net book value per share would have been:

	1972	1971
Earnings per Share:		
Per Common and Common Equivalent Share	$1.02	$ .73
Per Common Share Assuming Full Dilution	.71	.51
Net Book Value Per Common Share at December 31	8.65	7.46

The Company has 30,000 shares of 6% Cumulative Preference Stock ($100 par value per share) authorized under its charter. There are no shares of this stock issued or outstanding.

GULF OIL CORPORATION (DEC)

Notes to Financial Statements

Note 18: Tender Offer—On February 22, 1973, the Company announced that the Board of Directors had authorized the purchase of 10 million shares of its outstanding common stock at a price of $26 per share. If more shares are tendered, the Company may elect to purchase some or all of such additional shares. If fewer than 10 million shares are tendered, the Company is obligated to purchase all shares tendered. The tender offer is effective February 26, 1973 and will terminate on March 15, 1973 unless extended by the Company. The purchase will be made with available working capital and will not require any outside financing.

THE MOHAWK RUBBER COMPANY (DEC)

Notes to Consolidated Financial Statements

Note G: Subsequent Event—On January 1, 1973, the Company entered into a long-term, 25 year lease agreement with the Village of Hudson, Ohio for an office building to be constructed and equipped by the Village from proceeds of the sale of $2,000,000 Industrial Development First Mortgage Revenue Bonds. Rental payments are to be made in amounts sufficient to pay the interest (5.25% and 5.85%) and debt retirement requirements (to begin January 1, 1975) under the Indenture of Mortgage covering the bond issue. This transaction is being treated as a purchase for both financial statement and federal income tax reporting.

U. S. GOVERNMENT CONTRACTS

Chapter 11 of *ARB No. 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 1972 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. Forty-three companies disclosed special features applicable to United States Government contracts such as price redetermination, assets used to collateralize Government loans, and Government owned property operated by company.

Table 1—23 summarizes the nature of balance sheet information presented by the survey companies regarding Government contracts. Examples of balance sheet presentations follow.

GRUMMAN CORPORATION (DEC)

CURRENT ASSETS		
Accounts receivable, including unbilled charges (U.S. Government: 1972, $68,418,719; 1971, $70,131,171)	$ 84,067,529	$ 83,343,956
Inventories, less progress payments	105,449,093	109,205,471

Notes to Financial Statements

Note 1 (in part): Inventories—Inventories are carried at the lower of cost or realizable values and are summarized as follows:

	1972	1971
Work in process	$374,715,833	$231,812,641
Raw materials, purchased parts and supplies	71,488,786	75,588,999
	446,204,619	**307,401,640**
Deduct progress payments	340,755,526	198,196,169
	$105,449,093	**$109,205,471**

TABLE 1-23: U.S. GOVERNMENT CONTRACTS

Balance Sheet Information	**1972**	**1971**	**1970**	**1969**
Accounts receivable- government	18	22	24	30
Inventory less billings or progress payments received	23	33	33	23
Unbilled or reimbursable costs	23	17	23	7
Current liabilities	7	4	6	2
Total Presentations	**71**	**76**	**86**	**62**
Number of Companies Referring to Government Contracts				
In balance sheet presentation	40	44	49	42
In report but not in balance sheet	50	66	83	100
No reference	510	490	468	458
Total	**600**	**600**	**600**	**600**

Under the contractual arrangements by which progress payments are received from the Government, title to inventories identified with related contracts is vested in the Government. Overhead expenses are allocated to all projects and are classified in the financial statements as work in process or costs and expenses. Non-contractual research and development costs are charged to earnings during the year in which incurred.

Sales Under U.S. Government Contracts—Sales and profits (based on estimated average final costs) under Government fixed-price type contracts are recorded at the time of delivery in the case of production contracts, and as costs are incurred in the case of research, development, test and evaluation contracts. Sales under Government cost-reimbursement type contracts are recorded as costs are incurred and include applicable earned fees essentially in the proportion that costs incurred bear to total estimated final costs. Certain contracts contain cost and/or performance incentives which provide for an increase or decrease of profits dependent upon whether cost and/or product performance targets are surpassed or not attained, respectively. The effects of these incentives are reflected in income when there is sufficient information to relate actual performance to the targets with the result that earnings recorded in one period may include adjustments related to sales recorded in a prior period. Losses on contracts are recorded when they become known.

HAZELTINE CORPORATION (DEC)

	1972	**1971**
CURRENT ASSETS:		
Costs incurred on uncompleted Government products contracts less progress payments for work performed of $8,136,217 for 1972 and $9,958,111 for 1971 (Note 4) ..	$11,095,231	$7,718,363

Note 1 (in part): Summary of Significant Accounting Policies: Costs Incurred on Uncompleted Government Products Contracts—Costs incurred on uncompleted contracts are stated on the basis of accumulated costs less the portion of such costs allocated to products delivered, but not in excess of estimated recoverable amounts. Costs allocated to products delivered are computed for each contract at the estimated cost based on the total estimated cost of the contract.

Note 4: Costs Incurred on Uncompleted Government Products Contracts—Costs incurred on uncompleted contracts were reduced by losses of $1,847,447 for 1972 and $1,637,390 for 1971, determined to be applicable to certain contracts in process at the ends of such years (principally for Scan Converter Display Systems) under which deliveries were scheduled to be made subsequent thereto.

HOFFMAN ELECTRONICS CORPORATION (DEC)

CURRENT ASSETS:	
Government contract inventories, less progress payments (1972–$7,035,450) (Note 1)	$6,288,695

Note 1 (in part): Summary of Significant Accounting Policies: Government Inventory Valuation—Government inventories are stated at accumulated factory cost, reduced proportionately for the average cost of quantities shipped determined by dividing estimated total project cost by contract quantities. When management's estimate indicates a loss project, the full amount of the loss is charged to income.

Progress payments received under contract terms are classified as a reduction of inventories in the company's financial statements.

LITTON INDUSTRIES, INC. (JUL)

	1972	**1971**
	($ thousands)	
CURRENT ASSETS:		
Inventories, at lower of cost or market, less progress billings of $73.191 and in 1971 of $86,175	$645,118	$531,208

Financial Comments

Inventories and Long-Term Contracts—Inventories, other than Defense and Marine, are generally stated at the lower of cost (first-in, first-out method) or market. Defense and Marine inventories are stated at the lower of average cost or market. Revenues on defense contracts other than long-term contracts are generally recognized as products are delivered based on estimates of ultimate contract price. Profits on these contracts are recognized on delivery using the average profit expected based on current estimates of final contract values and costs. Revenues and profits on long-term contracts are recognized under the percentage of completion method of accounting. Revenues and costs, as well as work-in-process, are included in the financial statements based on current estimates of final values.

Any anticipated losses on contracts (estimated final contract cost in excess of estimated final contract revenues) are charged to current operations as soon as they are determined.

Marine Contracts—Major defense contracts for complex weapons systems performed over extended periods of time are subject to changes in specifications and changes in delivery schedules. Pricing negotiations on changes and settlement of claims often extend over prolonged periods of time. As a result, at any given time in performance of such a contract an estimate of its profitability depends not only upon the forecast of additional costs to be incurred but also upon a prediction of total revenues which will result from future negotiations and possible claims. The accompanying financial statements have been prepared on the basis of management's current estimates of final contract revenues and costs.

Litton's ship facilities operate under long-term design and production contracts, principally for the U.S. Government. At July 31, 1972 the total estimated contract values at completion were $4,355,100,000 of which $1,992,400,000 has been funded and of which $3,454,800,000 is to be performed between now and 1978.

Amendments to the LHA (Landing Helicopter Assault) ship contract are presently being negotiated with the

U.S. Navy. These negotiations are based on a repricing proposal submitted on March 31, 1972 in accordance with contractual requirements and agreements. The proposal deals with delivery schedules, escalation costs, selling price adjustments due to changes in quantity from nine to five ships, and the Company's request for compensation for approximately 100 engineering, design and production changes, arising from actions of the Government, and other factors affecting the program. The repricing proposal contemplates obtaining contractual coverage for substantial costs of unnegotiated changes. The ultimate profitability of this program is dependent upon performing to current cost estimates and successful negotiation of the contract amendments. At this time, while these complex issues are being negotiated, no profits are being recorded for this contract.

The Company will continue to be reimbursed for substantially all costs incurred on the LHA contract through February 28, 1973. The method of reimbursement subsequent to that date is to be determined as part of the present negotiations, which will consider alternative methods of estimating percentage of physical completion. The original contract negotiations contemplated that the Company would not invest substantial working capital in the performance of this contract, and the Company intends to adhere to this original contract intent.

In the course of these negotiations, the Navy may take the position that it will have made interim payments under the present reimbursement provisions of an amount significantly more than an alternative computation, and may therefore request a temporary refund. The Company believes no refund will be required, and that these negotiations will result in satisfactory program funding.

Intial production is underway on the DD-963 (Destroyer) ship contract scheduled for completion in 1978. Profits are recorded on this program as work proceeds.

Total cost estimates used to determine ultimate profitability on these two programs include approximately $128 million of nonrecurring manufacturing process development costs incurred for and necessary to successfully complete the existing contracts in the new ship facility. At July 31, 1972 $16 million has been charged to cost of sales, $81 million is included in inventory and an estimated $31 million is yet to be incurred. These costs will be charged to cost of sales proportionately with all other costs as work is performed and sales are recorded.

The Company has a number of shipbuilding related claims against the U.S. Navy filed with the Armed Services Board of Contract Appeals. Two claims filed during the past year cover three Nuclear Attack Submarines scheduled for delivery in 1973 and 1974 and four Ammunition Supply Ships of which three are delivered and one is in the last stages of construction. These claims are for costs related to Government requested extensions of delivery dates, delays, unprocessed change orders and other costs related to Government actions. In addition, the Company has filed a third claim with the ASBCA covering disruption costs resulting primarily from U.S. Navy imposed "Sub Safe" requirements on Nuclear Submarine contracts completed in prior years. The Company's claims on these three matters amount to approximately $164 million. At July 31, 1972, $41 million of net costs relating to such claims has been recorded in receivables and inventory. An additional $8 million related to the current Ammunition Ships and Submarine contract claims is to be incurred to complete these contracts and will be included in work in process as costs are incurred.

THE MAGNAVOX COMPANY (DEC)

	1972	**1971**
	($ thousands)	
ACCOUNTS RECEIVABLE–		
Customers and others, less allowance for doubtful accounts of $2,690 in 1972 and $2,040 in 1971	$ 90,257	$ 77,413
U.S. Government and others under defense contracts	20,541	26,008
	110,798	**103,421**
INVENTORIES–		
Raw materials and supplies	26,241	18,367
Work in process	31,633	23,360
Finished goods	76,100	45,286
Defense contract inventories, less billings for progress payments of $15,395 in 1972 and $31,765 in 1971	27,849	28,290
	161,823	**115,303**

Notes to Consolidated Financial Statements

Note 1: Summary of Accounting Policies: Inventories—Inventories other than under defense contracts are stated at the lower of cost or market, applied according to the first-in, first-out method, after eliminating intercompany profits.

Accounting for Defense Contracts—Inventories related to defense contracts and the resultant profit and loss are recorded on the percentage of completion method. The contracts extend over a period of from several months to two or more years and earnings accrue as the contract progresses toward completion.

Note 8: Renegotiation—Government contract sales are subject to the Renegotiation Act of 1951. The Company has received clearance for sales made through 1970, and management believes that no refunds will be required in respect to 1971 and 1972 sales.

SPARTON CORPORATION (JUN)

	1972	**1971**
Accounts receivable, including unbilled costs under cost reimbursement type contracts ($37,476 in 1972, $52,720 in 1971):		
Trade, less allowance for doubtful accounts ($33,000 in 1972, $31,000 in 1971)	$ 3,079,143	$2,353,115
U.S. and Canadian governments	1,094,978	2,082,152
Inventories, at lower of cost (first-in, first-out basis) or market, and other costs on contracts in process, less progress payments ($3,262,449 in 1972, $8,357,767 in 1971)	10,853,839	9,054,031

Notes to Consolidated Financial Statements

Note 1: Statement of accounting policies: Contract accounting—Long-term contracts are accounted for under the stage of completion method, generally determined on the basis of completed individual units shipped, and relate principally to government defense.

Inventory valuation—Inventories are valued at the lower of cost (first-in, first-out basis) or market. In general, the inventories are valued at standard cost developed for individual items; however, certain elements of the defense electronics and conveyors inventories are valued at actual cost. Provisions for loss because of age or condition are made as required.

Note 2: 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, 1971 and it is believed that no refunds of material amount will be required in respect of the year ended June 30, 1972.

THIOKOL CHEMICAL CORPORATION (DEC)

Accounts receivable (less allowance for doubtful accounts $756,287 in 1972)	$18,714,776
Amounts receivable on U.S. Government contracts and subcontracts (including unbilled items) (Note 2)	10,338,322

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies: U. S. Government Contracts and Subcontracts—Sales under Cost-Plus-Fixed or Incentive Fee contracts and subcontracts ($55,067,792 in 1972 and $43,279,970 in 1971) are recorded as costs are incurred and include applicable fees in the proportion that costs incurred to date bear to total estimated costs at completion.

Fixed Price contract costs are accounted for as inventories which are valued at the lower of (1) accumulated costs (material, labor, and overhead applicable to each contract) less the estimated average cost over the life of each contract of items delivered or (2) estimated inventory realization where losses are anticipated, in each case after deduction of unapplied progress payments received. At December 31, 1972 and January 2, 1972, such unapplied progress payments totaled $17,227,583 and $23,497,752, respectively. Fixed Price contracts, which do not require delivery of physical items, are recorded in the same manner as cost type contracts.

Note 2: U. S. Government Contracts and Subcontracts—Cost and incentive-type contracts and subcontracts are subject to Government audit and review, and final prices on certain other contracts and subcontracts are subject to price redetermination. A substantial portion of the business is also subject to renegotiation under the Renegotiation Act of 1951. No renegotiation refunds have been required for the years through 1970. It is not anticipated that refunds which may be made under renegotiation proceedings for 1971 or 1972, if any, and under redetermination proceedings, and with respect to determination of reimbursability of costs under cost or incentive-type contracts and subcontracts, will have a material effect on the company's income or financial position as reported through December 31, 1972.

U. S. Government contracts and subcontracts are by their terms subject to termination by the Government or the prime contractor either for convenience or for default. The company has certain of its contracts and subcontracts in a termination status, the settlement of which is still pending. In the opinion of the company and its counsel, the amount of adjustment, if any, resulting from termination proceedings will not materially affect the company's income or financial position as reported through December 31, 1972.

BACKLOG INFORMATION

Seventy-five companies presented backlog information. Many companies do not have a backlog since they produce for inventory rather than to order. Examples of presentations of backlog information follow.

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

Page 8—Construction backlog at December 31, 1972 was $214,950,000 vs. $116,400,000 at the end of 1971. Classified by type of construction project, 1972 revenues and backlog are as follows:

	1972	
	Revenues	Backlog
Pollution control facilities	$11,380,000	$105,416,000
Mass transit facilities	5,055,000	65,647,000
Heating and ventilating	33,105,000	31,392,000
Highways and bridges	32,575,000	9,235,000
Other	9,587,000	3,260,000
Total	**$91,702,000**	**$214,950,000**

AMERICAN AIR FILTER COMPANY, INC. (OCT)

To The Shareholders (page 3)

New orders booked during the year reached approximately $142,000,000 which compares with 1971 bookings of about $118,130,000. We entered the new fiscal year beginning November 1, 1972 with a record backlog of unfilled orders of about $62,600,000 which is 39 percent higher than the approximately $44,800,000 at the same time a year ago.

THE BENDIX CORPORATION (SEP)

Financial Statistics (Page 31)

Unfilled Orders—The consolidated backlog of funded unfilled orders was $634.3 million at September 30, 1972, as compared with $554.1 million at September 30, 1971. If contracts for which funds have not been committed were included, the September 30, 1972 unfilled orders would increase to $769.0 million. The comparable 1971 figure would be $685.5 million. Commercial orders, particularly in the auto industry, consist of relatively short and frequently renewed commitments, while the government procurement agencies, when ordering the type of products which the Corporation and its subsidiaries supply, issue contracts covering relatively long periods of time. Because of these contracting practices utilized by industry and the government, backlog at any given time consists mainly of products and services which will be sold to the government.

FLUOR CORPORATION (OCT)

Operations Report (Page 12)

Consolidated Backlog at October 31, 1972

	1972	
	$ ($ thousands)	%
Engineering and Construction		
Petroleum/Gas Processing	469,350	67.3
Chemical/Petrochemical	47,676	6.8
Power	2,717	.4
Mining and Civil	160,555	23.0
Offshore	4,767	.7
Drilling	12,000	1.7
Other	594	.1
Total	**697,659**	**100.0**
United States	268,017	38.4
Outside U.S.	429,642	61.6
Total	**697,659**	**100.0**

NORTH AMERICAN ROCKWELL CORPORATION (SEP)

Financial Review (page 26)

Backlog—The backlog of commercial and funded aerospace orders was $1.35 billion of which $765 million applied to funded Government orders. Unfunded aerospace orders amounted to $960 million. Total backlog on September 30, 1972 was $2.31 billion compared with $2.51 billion a year ago.

Funded Government orders include amounts which have been allotted under contracts by the procuring Government agency. Typically, only a portion of the price of a large Government aerospace contract is funded at the time work commences. Unfunded orders include portions of the prices (or estimated prices) that have not been funded. All Government contracts whether funded or unfunded are terminable at the convenience of the Government.

Of the total backlog at September 30, 1972, approximately $795 million relate to the B-1 bomber development program of which $158 million is in funded orders. Comparable amounts for September 30, 1971 were $1.032 billion and $253 million, respectively. The backlog also includes $193 million for the Space Shuttle Main Engine, of which $177 million is unfunded. It includes only $10 million of authorized work under the Space Shuttle Orbiter program pending negotiation of a definitive contract.

Approximately 50% of the total Aerospace and Electronics Groups' backlog at September 30, 1972 relates to work expected to be performed during the 1973 fiscal year. The Automotive and Industrial Products Groups' backlog at September 30, 1972 relates to work which is to be largely performed during the 1973 fiscal year. Historically, backlog has been of greater significance in the business of the Aerospace and Electronics Groups than in that of the Automotive and Industrial Products Groups.

NORTHROP CORPORATION (DEC)

Financial Review (page 18)

Backlog—Northrop's total backlog on December 31, 1972 showed a significant increase of $149,500,000, or 21.4%, over the previous December 31. This increase is primarily in new foreign orders for the Northrop F-5E and new construction contracts. The following tabulation indicates that 57.4% of the total backlog is represented by unfilled aircraft orders.

	1972	%	1971	%
($ millions)				
Aircraft	$441.3	57.4	$324.0	52.3
Electronics/Communications	142.2	18.5	188.9	30.5
Construction	112.0	14.6	77.7	12.6
Other	73.1	9.5	28.5	4.6
Total	**$768.6**	**100.0**	**$619.1**	**100.0**

A significant share of the aircraft backlog reflects F-5E orders. As previously stated, there are orders and program commitments for over 450 of these aircraft, of which 188 have already been included in backlog. Other important elements include additional business for the F-5B and commercial aircraft work.

The decline in backlog in electronics/ communications represents principally a decrease in foreign business on which lead time is quite long. The increase in construction backlog reflects primarily programs being implemented by the company's subsidiary, George A. Fuller Company. Several of Northrop's subsidiaries are pursuing important contracts outside the U.S.

SPERRY RAND CORPORATION (MAR)

Financial Review (page 21)

Unfilled Orders—The order backlog at March 31, 1972 aggregated $1,095 million compared with $1,171 million at March 31, 1971. Commercial products represented $764 million, or 70% of the total, compared with $864 million, or 74%, at the close of the prior year. U.S. defense and space business accounted for $331 million, almost 8% over the amount at March 31, 1971.

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.

Ten 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—24.

Examples of some of the disclosures of differences between financial reporting and reporting to the Securities and Exchange Commission follow.

Different Classification of Costs And Expenses in SEC Report

FEDERATED DEPARTMENT STORES, INC. (JAN)

Cost of goods sold, including expenses exclusive of items listed below	$2.287,353,643	$2.024.109.092
Taxes other than federal income taxes	68,361,374	56,769,200
Depreciation and amortization	40,023,142	34,914,838
Real estate rent expense	23,754,191	21,773,434
Maintenance and repairs	20,193,749	17,860,593
Retirement expense	16,565,384	13,262,088
Interest expense—net	10,131,292	7,878,505
Total costs (note 8)	**$2,466,382,775**	**$2,176,567,750**

TABLE 1-24: DIFFERENCES BETWEEN REPORTS TO STOCKHOLDERS AND REPORTS TO THE SEC

	1972	1971	1970	1969
Different classification of costs and expenses in report to SEC	7	9	10	9
Separate financial statements for investee in report to SEC	1	3	5	6
Other	2	2	2	1
Total Disclosures	**10**	**14**	**17**	**16**

Note 8: Total Costs—are classified in the Annual Report to the Securities and Exchange Commission as follows:

	Fifty-three weeks ended February 3, 1973	Fifty-two weeks ended January 29, 1972
Cost of sales, including occupancy and buying costs	$1,965,631,765	$1,729,334,771
Selling, publicity, delivery and administrative expenses	481,103,247	430,383,446
Provision for possible future losses on receivables	9,516,471	8,971,028
Interest expense—net	10,131,292	7,878,505
	$2,466,382,775	**$2,176,567,750**

GENERAL ELECTRIC COMPANY (DEC)

	1972	1971
	($ millions)	
COSTS		
Employee compensation, including benefits	$4,168.4	$3,885.3
Materials, supplies, services and other costs	4,973.1	4,484.0
Depreciation	314.3	273.6
Taxes, except those on income	116.3	101.8
Interest and other financial charges	106.7	96.9
Provision for income taxes	364.1	317.1
Deduct increase in inventories during the year	(147.3)	(56.4)
	$9,895.6	**$9,102.3**

1972 Financial Summary

Costs—Costs are classified in the statement of current earnings according to the principal types of costs incurred. Operating costs, excluding interest and income taxes, classified as they will be reported to the Securities and Exchange Commission, were: cost of goods sold of $7,509.6 million in 1972 and $6,962.1 million in 1971; and selling, general and administrative expenses of $1,915.2 million in 1972 and $1,726.2 million in 1971.

PENN TRAFFIC COMPANY (JAN)

Consolidated Statement of Earnings

COST OF GOODS SOLD AND EXPENSES	
Exclusive of items listed below	$ 99,056.826
Maintenance and Repairs	565,905
Depreciation	1,635,031
Rentals	1,408,737
Interest and Debt expense	297,062
Taxes other than Income Taxes	1,553,685
Contributions to Retirement Plans	586,458
	$105,103,704

Notes to Financial Statements

Note 8 (in part)—In the Corporation's annual report to the Securities and Exchange Commission, the details of costs and expenses will be reclassified as follows:

	1973
Cost of goods sold (including buying and occupancy costs)	$ 84,448,915
Selling, general, publicity, and administrative expenses, net of other income	20,357,725
Interest and debt expense	297,062
	$105,103,704

Separate Financial Statements for Investee in SEC Report

ANDERSON, CLAYTON & CO. (JUN)

Notes to Consolidated Financial Statements

Note (3): Investments in nonconsolidated subsidiaries, equity applicable to these investments and current receivables from these subsidiaries are: (1971 comparative amounts and 000's omitted for presentation purposes)

	June 30. 1972		
			Parent Co.
	Receivables	Investment	Equity
Latin American:			
South American	$ 6,799	$ 6,930	$ 28,577
Mexican	17,121	3,888	26.082
Total	**23,900**	**10,818**	**54,659**
Domestic:			
Finance	--	--	--
Insurance	--	49.459	49,459
	$23,900	**$60,277**	**$104,118**

The following additional information includes condensed financial data for all of the Company's nonconsolidated insurance subsidiaries. Combined financial statements for the property/casualty insurance subsidiaries have been reported in form 10-K; however, the life insurance company is not included in that report since it is not significant. (000's omitted from all dollar amounts for presentation purposes)

	June 30	
	1972	1971
ASSETS:		
Cash and investments	$ 71,951	$ 51,154
Receivables	23,126	22,165
Deferred acquisition costs	25,355	19,634
Other	1,179	1,138
	$121,611	**$ 94,091**
LIABILITIES:		
Reserves	$ 53,649	$ 39,728
Federal income tax	4,890	4,528
Accounts payable and other	13,613	12,118
Capital, paid-in capital and retained earnings	49,459	37,717
	$121,611	$ 94,091
Net Premiums Earned	$ 46,162	$ 39.287
Net income	$ 5,750	$ 4.464

Premium income from Anderson, Clayton & Co. and consolidated subsidiaries amounted to $4,187 in 1972 and $3,444 in 1971.

OPINIONS OF THE ACCOUNTING PRINCIPLES BOARD

During 1972 the APB issued Opinion Nos. 22-27. Opinions 22-24 were effective for fiscal years beginning after December 31, 1971 and accordingly applied to many but not all of the survey companies. Opinions 25-27 were effective for relevant transactions after December 31, 1972.

During 1971 the APB issued Opinion Nos. 18-21. The effective dates of these opinions are such that Opinions 19 and 21 applied to all the survey companies; whereas Opinion No. 18, effective for fiscal years beginning after December 31, 1971, and Opinion No. 20, effective for fiscal years beginning after July 31, 1971, applied to some but not all of the survey companies.

References to APB Opinions are summarized in Table 1-25. Examples of such references follow.

TABLE 1-25: REFERENCE TO APB OPINIONS

OPINION	1972	1971	1970	1969
26-Early Extinguishment of Debt	1	-	-	-
25-Accounting for stock issued to employees	1	-	-	-
24-Accounting for Income Taxes	9	-	-	-
23-Accounting for Income Taxes	20	-	-	-
21-Interest on Receivables and Payables	2	6	-	-
20-Accounting Changes	3	2	-	-
19-Reporting Changes in Financial Position	-	3	-	-
18-The Equity Method of Accounting for Investments in Common Stock	34	45	2	-
17-Intangible Assets	28	12	2	-
16-Business Combinations	3	4	2	-
15-Earnings Per Share	4	9	26	42
14-Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants	-	-	-	1
12-Omnibus Opinion- 1967				
11-Accounting for Income Taxes	9	7	6	23
10-Omnibus Opinion- 1966	-	1	-	-
9-Reporting the Results of Operations	1	2	1	3
8-Accounting for the Cost of Pension Plans	4	4	4	3
7-Accounting for Leases in Financial Statements of Lessors	-	1	-	-
5-Reporting of Leases in Financial Statements of Lessee	1	5	3	3
Total References	**120**	**101**	**46**	**75**

Opinion No. 9 - Reporting The Results Of Operations

BATH INDUSTRIES, INC. (DEC)

Summary of Significant Accounting Policies

Settlement of Claims on Long Term Contracts— During the first quarter of 1972, the Company's shipbuilding subsidiary settled out-of-court a claim against a major supplier which resulted in recovery of previously expensed costs for a completed contract. This settlement favorably affected net income by $1,255,000 or $.16 per share.

During the third quarter of 1972, the Company's shipbuilding subsidiary also reached settlement on a large group of shipbuilding contracts completed in prior years. This settlement increased 1972 sales by $4,206,000 and net income by $2,184,000 or $.28 per share.

According to the Accounting Principles Board, adjustments of accrued contract prices, regardless of size, do not constitute extraordinary items because they are of a character typical of the customary business activities of the company and, therefore, are reflected in normal operating results. In order for the stockholders to more fully evaluate the effects of these settlements on the 1972 results, the significance of these settlements has been disclosed in various schedules and charts included in this annual report.

Opinion No. 17 - Intangible Assets

AEROSOL TECHNIQUES, INCORPORATED (SEP)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies: Principles of Consolidation, Acquisitions and Excess Cost of Investments in Subsidiaries—In accordance with Accounting Principles Board Opinion 17, the excess of costs of investments in subsidiaries acquired after October 1970 are required to be amortized over a period not exceeding 40 years. Accordingly, the excess of costs of investment in Jubilent acquired effective as of April 1, 1972, amounting to $94,873, is being amortized over a period of 15 years. The remaining excess of the aggregate investments over underlying net book value applicable to subsidiaries acquired or whose plan of acquisition was initiated prior to October 1970 (Chem-Spray) is considered by the Company to be an intangible asset and is not being amortized at this time because the Company does not believe there has been any diminution in value. The amount attributable to the issuance of contingent shares and additional cash consideration in connection with the Chem-Spray merger, if any, will increase the amount of this intangible.

Opinion No. 18 - The Equity Method of Accounting For Investments In Common Stock

THE BUDD COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Principles of Consolidation—The consolidated financial statements include the accounts of the company and its domestic and Canadian subsidiaries, except for Budd Financial Corporation. Investments in Budd Financial Corporation and all other unconsolidated affiliated companies more than 20% owned are accounted for on the equity method of accounting.

As of January 1, 1972, in accordance with Opinion 18 of the Accounting Principles Board, the company changed from the cost method to the equity method of accounting for investments in affiliates more than 20% owned. This change, which had a negligible effect on 1972 earnings, decreased 1971 earnings by $871,000, or 14 cents per common share, but increased retained earnings at January 1, 1971 by approximately $1,580,000. The financial statements for 1971 have been restated to reflect this change.

THE SUPERIOR OIL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Investments in Affiliated Companies —During 1972, Superior changed from the cost to the equity method of accounting for its investments in Canadian Superior Oil Ltd. (Canadian Superior), McIntyre Porcupine Mines Limited (McIntyre) and Western Platinum Limited (Western Platinum), in accordance with Opinion Number 18 of the Accounting Principles Board of the American Institute of Certified Public Accountants. Under the equity method, each of these investments is stated at cost as adjusted for (a) Superior's share of the affiliate's net earnings or losses from date of acquisition, (b) amortization of the difference between the cost of the investment and Superior's equity in the affiliate's net assets at date of acquisition and (c) dividends received from the affiliate. Prior to this change, income was recognized when dividends were received.

The change to the equity method of accounting for affiliated companies reduced Superior's net income in 1972 by $10,491,000, including an extraordinary loss of $8,356,000 attributable entirely to extraordinary losses suffered by McIntyre and its affiliate. Net income for 1971 was increased $439,000 and retroactive application to prior years resulted in an increase of $22,554,000 in retained earnings at January 1, 1971.

Opinion Nos. 23 and 24 — Accounting For Income Taxes

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note (10) (in part): Income Taxes—In 1972, in accordance with recent pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, the Corporation adopted the policy of providing for additional income taxes which may result from the transfer of undistributed earnings of foreign subsidiaries and affiliated companies to the Corporation. Prior to 1972, taxes were recognized in the year in which dividends were received and included in taxable income. As a result of this change, retained earnings at January 1, 1971 were reduced by $1,625,000; the change did not have a significant effect on 1972 or 1971 consolidated net earnings. Undistributed earnings, substantially all of which accrued prior to 1971, that have been or will be reinvested and on which no income taxes have been provided approximated $8,000,000 at December 31, 1972.

AMERICAN CYANAMID COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1: Foreign Operations— Foreign operations included in the consolidated financial statements are as follows:

	1972	**1971**
	($ thousands)	
Net current assets	$110,000	$ 93,500
Net other assets (principally plants and facilities)	87,700	69,900
Net earnings of foreign subsidiaries	33,600	31,100
Equity in undistributed earnings of foreign subsidiaries	122,800	111,300

In accordance with Opinions No. 23 and No. 24 of the Accounting Principles Board, the Company provides for taxes on the undistributed earnings of subsidiaries and associates where the remittance of such earnings is not considered to be indefinitely postponed. Also in accordance with these Opinions, taxes aggregating $3,000,000 relating to prior years earnings of subsidiaries and associates have been charged to earnings employed in the business. At December 31, 1972, the Company has no present intention of remitting undistributed earnings of subsidiaries and affiliates aggregating $134,200,000 ($116,900,000 in 1971)

LIBBY, McNEILL & LIBBY (JUN)

Notes to Consolidated Financial Statements

Note E (in part): Income Taxes— In accordance with Opinion No, 23 of the Accounting Principles Board of the American Institute of Certified Public Accountants, the Company has recorded in the accounts estimated income taxes which will become payable when certain undistributed earnings of foreign subsidiaries are distributed as dividends. As a result of this change in accounting method, earnings retained in the business as of July 5, 1970 have been reduced by $710,000 and net earnings as previously reported for the year ended July 3, 1971 have been reduced by $116,000. The cumulative amount of undistributed foreign subsidiary earnings at July 1, 1972 on which the Company has not recognized U.S. income taxes is $27,000,000. It is the intention of the Company to reinvest such undistributed earnings.

REYNOLDS METALS COMPANY (DEC)

Notes to Consolidated Financial Statements

Note N (in part:) Taxes on Income—As a result of the issuance of Opinions by the Accounting Principles Board of American Institute of Certified Public Accountants, in 1972, the Company retroactively provided deferred income taxes on undistributed earnings of certain subsidiaries and associated companies. Prior thereto, income taxes were provided only as earnings were distributed to the Company. This change had the effect of decreasing net income for 1972 and 1971 by $474,000 and $340,000, respectively ($.03 and $.02 per share). The amount of undistributed earnings not taxed, the remittance of which is expected to be indefinitely postponed, was immaterial after exclusion of unremitted earnings of domestic tax-consolidated subsidiaries and those earnings which will be remitted in tax-free form.

Opinion No. 26— Early Extinguishment of Debt

PHOENIX STEEL CORPORATION (DEC)

Notes to Financial Statements

Note 5 (in part): Long Term Debt— Effective January 1, 1972 the company adopted the accounting policy of including discounts on the repurchase of its debt obligations in income in the year of the repurchase. This change was made to conform to the required treatment for future debt repurchases resulting from the issuance of an Opinion of the Accounting Principles Board. The effect of this change was to decrease net loss for 1972 by $360,000 ($.09 per share). The repurchase discount has been included as a reduction of interest and amortization of debt discount and expense. Prior to 1972 the company followed the practice of crediting purchase discount on bonds repurchased against the unamortized balance of original issue discount and expense.

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 for price-level changes. Discussions of, or references to, economic price-level changes or inflation were included in 46 annual reports. Reference to the effects of various phases of the Economic Stabilization Program were made by 211 companies.

Examples of discussions of the impact of economic conditions on financial results follow.

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

To Our Shareholders (page 4)

The Outlook— There is every indication that 1973 will be another good year for Allegheny Ludlum Industries, as improving economic conditions in the United States gain further momentum. Successful stimulation of the American economy in 1972 resulted in an increase in Gross National Product of over 100 billion dollars and a similar increase is being predicted for 1973.

Inflationary pressures in the United States were abated somewhat through Phase II of the New Economic Policy announced August 15, 1971, by the Nixon Administration. Nevertheless, inflation remains a present continuing threat as the economy continues at a high level and it is Allegheny Ludlum's experience that the cost of many of the goods and services we must purchase continues to rise. While the rate of inflation has been cut, inflation itself is at an unacceptable pace and continues to threaten.

AMERICAN BAKERIES COMPANY (DEC)

To Our Stockholders

Operations for 1972 resulted in a slight profit, compared to a small operating loss in the prior year. An encouraging level of profits was achieved in the first six months of the year, but these profits were erased in the later part of the year, largely by soaring flour costs following the enormous and unprecedented sale of U.S. wheat to Russia in July, and by continued increases in labor costs.

To date, farm products have not been under government price controls, whereas processed food products are under strict and sometimes arbitrary and unreasonable restraint, and a serious cost/price squeeze has resulted. The price of flour is currently more than 30% higher than a year ago. Negotiation of 104 labor contracts and the escalation clauses in 100 existing contracts increased labor rates by an average of approximately 8%. In 24 instances where the existing contracts called for increases of from 9.4% to 16.8%, appeals were made to the Pay Board in an attempt to bring these increases more closely in line with the 5.5% guideline. All of our appeals were denied. Despite these increased costs, the average selling price of our bread products has increased by only 3.5% due to the impact of price control regulations on the baking industry. It is our hope that future government actions will be such that the burden of restraining food price increases does not fall so heavily and unfairly upon the employees and stockholders of our industry.

ANCHOR COUPLING CO. INC. (JUN)

To Anchor Shareholders (page 4)

Income for the first six months was down 23% from the previous year. In the second six months, several factors combined to further reduce earnings to the final $689,000, or 51c per share. During the price freeze under Phase 1 economic controls, cost of production rose steadily. Following the freeze, it became apparent that price adjustments under Phase II controls could not be made to cover rising costs, due to strong competitive pressures in our major markets.

Components of the rise in cost of goods sold were higher prices of raw materials, increased transportation costs, higher labor costs, and reduced productivity caused by the necessity of hiring and training new production employees to handle the increased order volume.

Wage and benefit increases of approximately 6% were made during the year under union contract agreements. However, total labor costs rose 21% during the year, compared to the 15% increase in volume produced.

As the rate of sale-volume acceleration stabilizes, Anchor prospects for a renewal of satisfactory income levels are good. Productivity increases can be anticipated as new employees' training requirements taper off, and further improvements in manufacturing operations and systems and procedures are achieved.

AMERICAN CHAIN & CABLE COMPANY, INC. (DEC)

To Our Stockholders (page 3):

Inflation— Inflation has almost daily impact in all countries where Acco has an involvement. Because most material handling and process control systems work is performed in accordance with fixed price contracts negotiated well in advance of installation, a rapid advance in price levels can squeeze profit margins. Efforts to incorporate reasonable anticipations of future material and labor rates in contract proposals receive continuous scrutiny. Additionally, we strongly support efforts to control inflation, and we urge others to do likewise.

KRAFTCO CORPORATION (DEC)

To Our Stockholders (page 1)

Under all phases of the government's Economic Stabilization Program, raw agricultural products were uncontrolled as to price.

We are permitted, under government pricing regulations, to increase immediately selling prices as a "pass through" of the direct cost increases we incur in the purchase of certain agricultural products including milk, cheese, vegetable oil and citrus. Other raw materials and operating expenses also increased, but price increases reflecting these "other cost" increases could not be placed in effect until they had been given prior approval by the Price Commission.

Although our payroll costs were within the guidelines established by the Wage Board, our "other costs" in the U.S., many of which were beyond our control, did increase substantially. As an example: repairs were up 16.6%; depreciation 7.7%; freight 8.5%; power, fuel and water 8.6%; and taxes other than Federal Income 7.8%. To offset these "other cost" increases and maintain profit margins, we continued a strong effort to improve productivity, to increase volume and to improve our product mix profitability. Despite these successful efforts, some price increases were necessary and attained. Our average net overall price increase in the U.S. for December 1972 was 2.2% over our August 1971 base period price. Of this increase, 2.1% related to the direct "pass through" of cost increases of certain agricultural products and .1% to "other cost" increases. This compares to the general increase in the U.S. Consumer Price Index of 4.2% for the period August 1971 to December 1972.

THE MAY DEPARTMENT STORES COMPANY (JAN)

To Our Stockholders (page 2)

On a 52-week basis for 1972 as well as 1971, our total sales increase was 10.5% and our comparable store sales (i.e., sales of stores open in both years) showed an increase of 5.4%.

Department store prices, as measured by the Bureau of Labor Statistics Index, rose only 2.0% in 1972 (less than the overall increase in the cost-of-living index). If we take out this 2.0% average price rise, our "real" sales increase in constant dollars was 8,3%, and our constant-dollar comparable-store sales increase 3.3%. Thus, once again, our sales growth exceeded the effects of additional store space and inflation in retail prices.

FORECASTING

Forecasting of operating data is a topic of much current discussion. This is due in part to the changing position of the Securities Exchange Commission, once against inclusion in annual reports of earnings forecasts. Presentation of forecasts are increasing. In 1971 only 4 companies commented that sales or earnings would increase or decrease by a specified amount or percentage; such forecasts were included by 22 companies in 1972. Examples of forecasts in 1972 annual reports follow.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

Operations in 1973 (page 7)

In fiscal 1971, IMC announced financial goals of $1.00 per share for that year, $1.50 for 1972 and $2.00 for

1973. We earned 98 cents (before an extraordinary credit) in 1971, $1.64 in 1972.

For 1973 another good gain seems possible for the following reasons:

...There should be a recovery in IMC's trading business (COC) in the range of $1.5 to $2.5 million at the operating level, with expected world-wide economic improvement, particularly in steel, following the upturn already under way in the U.S.

...IMC's industrial businesses, primarily refractories and foundry products, should record gains in the $3 to $3.5 million range at the operating level. This segment of our business showed some improvement beginning in March which should continue with the industrial upswing indicated by all indexes.

...Increasing phosphate rock prices abroad should contribute an additional $1 to $1.5 million to operational level earnings on top of the 1972 gains.

...Prospects are that potash will be up moderately—with some volume increase and somewhat higher net realizations offsetting fractionally higher costs. (See President's Letter to Shareholders for comment on law suit related to Canadian regulations.)

...Interest costs are expected to continue to decline about another $1 million, mainly through the major reduction in long-term debt during 1972.

...These gains will be partly reduced by income taxes at an effective rate of about 30 percent.

The earnings gain, as now forecast, is expected to come primarily from U.S. operations, which will make necessary a provision for U.S. taxes. That provision against 1973 earnings will be balanced out, from IMC's tax-loss carry-forward total, by an extraordinary income item.

If circumstances change requiring significant revision of earnings estimates, upward or downward, any such revision will be made known promptly.

THE LTV CORPORATION (DEC)

Forecasting 1973 (page 6)

The operating forecast presented on the following page represents a summation of our internal planning for 1973. This planning is based upon corporate and subsidiary management evaluation of expected business conditions within the respective industries and the abilities of management, staff and operating personnel to attain operating and financial objectives based on such conditions with the resources available in 1973.

General economic expectations considered as parameters for our internal planning include an annual rate of growth in the gross national product for 1973 of about 10 per cent, of which six per cent represents real growth and with a greater rate of growth (by one to two points) in the first half, the continuation of Phase III Government price and wage controls with no significant change in policy and no significant changes in the corporate tax structure.

More specific economic and business expectations pertinent to Jones & Laughlin are for domestic steel industry shipments of 99 million tons, with J&L improving somewhat its penetration of selected markets; and an increase of six and one-tenth per cent in employment costs over 1972, with that increase and substantial increases in costs of materials and services being only partially recovered through planned price increases, the greater balance of the cost increases being recovered through additional tonnage and greater productivity.

In regard to Wilson operations, it is expected that supplies of hogs in the first half of the year will run about two to three per cent less than for the same period in 1972 and about three to six per cent higher in the last half of the year than for the same period in 1972, averaging one to two per cent higher for the year; that cattle slaughter will follow its recent improving trend averaging two to three per cent higher for the year; that the labor contract which expires August 31, 1973 will be negotiated within the Phase II guidelines for pay increases; and that the present policies of the Cost of Living Council on meat pricing will continue.

Within LTV Aerospace, we anticipate no major new weapons system award but reasonable add-ons to present programs. At December 31, 1972 Aerospace had a backlog of approximately $755 million of which it is estimated that $482 million will be recorded as sales in 1973, representing 89 per cent of the sales forecast for the year.

If earnings approximate those shown, an extraordinary credit from use of a portion of LTV's net operating loss carryforward will result. No consideration has been given to this factor in making the 1973 forecast.

Forecast of Operating Performance 1973

(Dollar Amounts in Millions)

	Subsidiary operations			LTV
	Sales		Net	equity
	Amount	%to total	income (loss)	income (loss)[1]
OPERATING COMPANIES				
Wilson & Co., Inc.	$1,739	47	$10.4*	$ 8.5*
Jones & Laughlin Steel Corporation	1,363	37	45.0	36.1
LTV Aerospace Corporation	543	15	11.7	11.7
LTV commercial and service operations	26	1	(5.0)	(5.0)
	$3,671	**100**	**$62.1***	**51.3***
NON-ALLOCABLE FINANCIAL AND CORPORATE EXPENSE[2]—				
Interest expense				(40.9)
Debt discount				(7.5)
General and administrative expense				(3.3)
Other income				3.0
Income tax credit				24.7
Total				**(24.0)**
Net income				$ 27.3*
Primary income per common and common equivalent share				$ 2.95*[3]

(1) Represents equity in net income applicable to common stock owned by LTV after taking into account dividend requirements on preferred stocks.

(2) Represents indirect corporate expense and related income tax reduction of the parent company and its non-operating subsidiaries.

(3) After deducting dividend requirement on preferred shares outstanding December 31, 1972 and based on number of common and common equivalent shares outstanding at that date. Assuming conversion of LTV's 7½% convertible debentures and notes as of the beginning of the year, per share income would be $2.15.

*NOTE: On March 22, 1973, the then policies of the Cost of Living Council on meat pricing were amended. The full effect of the amended policies on the operations of Wilson & Co., Inc. have not been determined and are not reflected in the foregoing forecast of operating performance. The effect of the amended policies may have a materially adverse effect on operating performance for periods subsequent to March 22, 1973.

PALL CORPORATION (JUL)

Outlook For 1973 (page 14)

With reason to project that sales will reach $29.0 million as will be shown below, we hope for a significant earnings increase in fiscal 1973. Reflecting vacation shutdowns in our plants and among many of our customers, 1st quarter operations will be seasonally low. We expect each succeeding quarter to show an increase. The change in sales mix during the 1969-1972 transitional period can be seen in the table below. Incoming orders by market for 1972, backlogs at July 31, 1972 and a forecast of fiscal 1973 sales are also shown:

Sales for Fiscal Years ended July 31 (000's omitted)			Actual Sales		Forecasted Sales	Backlog at Beginning
Continuing Lines	**1969**	**1970**	**1971**	**1972**	**1973**	**1973**
Aerospace	$11,100	$ 9,000	$ 7,900	$ 9,050	$ 9,700	$ 6,100
Process, Power & Marine	10,600	11,900	12,800	13,600	14,400	4,100
Biomedical	100	600	400	1,000	1,500	400
Industrial Equipment	1,000	2,300	2,000	2,500	3,400	1,300
Total Continuing Lines	**22,800**	**23,800**	**23,100**	**26,150**	**29,000**	**11,900**
Discontinued Lines	3,400	2,900	1,400	100	---	---
Total	**$26,200**	**$26,700**	**$24,500**	**$26,250**	**$29,000**	**$11,900**

For comparison, backlogs at August 1, 1971 were:	
Aerospace	$5,200
Process, Power & Marine	3,900
Biomedical	100
Industrial Equipment	500
Total	**$9,700**
Incoming orders for the year ended July 31, 1972 were:	
Aerospace	$ 9,950
Process, Power & Marine	13,800
Biomedical	1,300
Industrial Equipment	3,300
Total	**$28,350**

Thus, it can be seen that, overall, the adequate opening backlog and last year's rate of total orders, if maintained, should result in the achievement of our 1973 budget.

As a note of caution, in the Biomedical market perhaps one-third of the projected sales must come from products just recently introduced. There is always more than usual risk in such a projection. In the Process, Power and Marine market about a 7½% increase in orders over the 1972 rate is required. Part of this is dependent on growth of the new AB filter line. It should also be noted that the Aerospace market is very volatile, highly competitive and generally hard to predict.

We have succeeded in shifting more of our sales to disposable filters for substantial markets and, on the whole, the prospects for 1973 are good.

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.

TABLE 2-1: TITLE OF BALANCE SHEET

	1972	1971	1970	1965
Balance Sheet	522	530	518	470
Statement of Financial Position	58	49	57	94
Statement of Financial Condition	20	21	25	31
Other Titles	–	–	–	5
Total Companies	**600**	**600**	**600**	**600**

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 equal to the sum of liabilities and stockholders' equity. 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 2-2: FORM OF BALANCE SHEET

	1972	1971	1970	1965
Account form (*71,215,635)	578	577	570	530
Financial position form (*116,185,419)	18	20	26	62
Other (*13,489)	4	3	4	8
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 2-3: CASH – BALANCE SHEET DESCRIPTION

	1972	1971	1970	1969
Cash	456	470	482	497
Cash combined with marketable securities	72	64	64	52
Cash includes certificates of deposit or time deposits	66	59	46	36
Cash in banks and on hand	6	7	8	15
Total Companies	**600**	**600**	**600**	**600**

CASH

As shown in Table 2-3, the majority of the survey companies present cash as a single item and use the caption *cash.* Thirty-three 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. Ten companies referred to compensating balances. Examples of captions for cash and cash items follow.

ARMADA CORPORATION (DEC)

CURRENT ASSETS:	
Cash	$1,433,000
Certificates of deposit, including accrued interest of $112,000 in 1972	8.812,000

COMMERCIAL SOLVENTS CORPORATION

CURRENT ASSETS	
Cash (including time deposits of $2,200,000 in 1972)	$6,064,137

THE FIRESTONE TIRE & RUBBER COMPANY

CURRENT ASSETS	($ thousands)
Cash	$ 39,456
Time Deposits and Certificates of Deposit	173,192

KRAFTCO CORPORATION (DEC)

ĈURRENT ASSETS:	
Cash and temporary investments (see note)	$ 68,011,789
Notes and accounts receivable, less allowance for losses (6,347,172 in 1972)	207,592,170
Inventories, at lower of average cost or market–	
Products and materials	432,621,187
Supplies	31,647,900
Total current Assets	**$739,873,046**

Notes to Consolidated Financial Statements

Cash—At December 30, 1972, $25,090,000 were held in short-term bank deposits as pledges for bank loans by international subsidiaries, and $3,354,000 in cash was deposited with a German bank to comply with German Government regulations relating to borrowings of the German subsidiary.

RAYBESTOS-MANHATTAN, INC. (DEC)

CURRENT ASSETS	
Cash (Note D)	$ 2,225,978
Temporary investments at cost which approximates market	5,961,120
Accounts receivable, less allowances of $483,378 for 1972	24,047,428

Note D: Cash—Included in cash are compensating balances, pursuant to informal arrangements, of approximately $300,000 in consideration for open lines of credit.

TABLE 2-4: MARKETABLE SECURITIES

Basis of Valuation	**1972**	**1971**	**1970**	**1969**
Cost	259	244	225	250
Cost plus accrued interest	25	33	41	45
Lower of cost or ,market	7	11	14	13
Amortized cost	7	6	9	11
Market value or approximate market value	4	4	6	6
Other	3	3	3	5
Subtotal	**305**	**301**	**298**	**330**
Basis of valuation not set forth .	73	76	83	68
Total presentations	**378**	**377**	**381**	**398**
Reference to Market				
Approximate market	235	216	211	227
Market value stated (above and below cost)	25	31	30	30
No reference to market	118	130	140	141
Total	**378**	**377**	**381**	**398**
Number of Companies				
Marketable securities in current assets	375	372	376	393
No marketable securities in current assets	225	228	224	207
Total	**600**	**600**	**600**	**600**

MARKETABLE SECURITIES IN CURRENT ASSETS

ARB No. 43, Chapter 3A, states in part:

> 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

COLONIAL STORES INCORPORATED (DEC)

CURRENT ASSETS:	
Cash	$ 2,903,300
Short-term investments, at cost (approximates market)	27,323,330
Receivables, less allowance for doubtful accounts, $43,970 (1971, $57,758)	4,578,346
Inventories	52,796,817
Prepaid and deferred expenses	969,844
Total current assets	**$88,571,637**

R. R. DONNELLEY & SONS COMPANY (DEC)

CURRENT ASSETS	
Cash	$ 9,195,991
United States government securities, at cost approximating market	46,916,387
State and municipal securities, at cost approximating market	7,618,916
Receivables, less allowance of $984,000 in 1972 for doubtful accounts	61,083,254
Inventories, at average cost, less related billings and deposits of $16,719,151 in 1972	19,309,721
Prepaid expenses	501,986
Total Current Assets	**$144,626,255**

GENERAL MOTORS CORPORATION (DEC)

CURRENT ASSETS	
Cash	$ 379,618,630
United States and other government securities and time deposits—at cost, which approximates market:	
Held for payment of income taxes	603,715,489
Other	$1,963,607,352

HAZELTINE CORPORATION (DEC)

CURRENT ASSETS:	
Marketable securities at cost (approximates market) held by Hazeltine Research, Inc. for payments to Zenith (Note 2)	$ 2,394,505
CURRENT LIABILITIES:	
Liability to Zenith under Settlement Agreement (Note 2)	$ 2,394,505
LONG-TERM LIABILITIES	
Liability to Zenith under Settlement Agreement (Note 2)	$ 545,557

Note 2: Liability to Zenith Radio Corporation— Under the terms of the 1971 Settlement Agreement with Zenith Radio Corporation, as previously reported, Hazeltine Research, Inc. has made cash payments (including the payment of $2,394,505 on January 31, 1973) aggregating $15,954,443, and with the grant of a $6 million royalty credit this leaves an unpaid balance of $545,557 out of the $22.5 million settlement. Payment of this amount is due on January 31, 1974, and will satisfy all monetary obligations of Hazeltine Research, Inc. to Zenith.

Under the Settlement Agreement and until such time as the indebtedness to Zenith thereunder is satisfied by payment of the remaining $545,557 Hazeltine Research, Inc. is prohibited from paying any cash dividends and from mortgaging certain Greenlawn real estate without the consent of Zenith. The amount of retained earnings of Research at December 31, 1972 was $2,608,849.

TIME INCORPORATED (DEC)

CURRENT ASSETS	
Marketable securities—at cost:	
U.S. Government and other short-term securities (approximately market)	$32,846,000
Preferred and common stocks—quoted market prices $32,000,000 in 1972	26,887,000

At Cost — Market Value Stated

FOREMOST-McKESSON, INC. (MAR)

	1972	1971
	($ thousands)	
CURRENT ASSETS		
Marketable securities, at cost (quoted market: 1972, $8,721,000; 1971, $20,958,000)	$8,898	$18,164

GULF & WESTERN INDUSTRIES, INC. (JUL)

CURRENT ASSETS	
Marketable securities—at cost (estimated market value 1972—$40,371,000)	$42,986,000

A. C. NIELSEN COMPANY (AUG)

	1972	1971
CURRENT ASSETS:		
Cash	$10,388,741	$ 9,591,147
Certificates of deposit	6,271,475	4,941,934
Marketable securities, at cost (quoted values, $16,974,000; $14,843,700 in 1971)	16,446,713	14,154,406

MEREDITH CORPORATION (JUN)

	1972	1971
CURRENT ASSETS		
Marketable securities (*at cost*)(*Market value 1972, $10,515,000; 1971, $6,869,000*)	9,961,738	7,282,840

Cost Plus Accrued Interest

BROCKWAY GLASS COMPANY, INC. (DEC)

CURRENT ASSETS	
Cash	$ 9,719,319
Short-term investments, at cost plus interest (which approximates market)	1,500,262
Accounts and notes receivable (less allowance for doubtful accounts $225,000 and $225,000)	21,109,989
Inventories (Note 1)	
Finished goods	20,130,229
Work in process	2,725,487
Raw materials and supplies	8,466,483
Prepaid and other current assets	635,825
Total current assets	**$64,287,594**

QUAKER STATE OIL REFINING CORPORATION (DEC)

CURRENT ASSETS:	
Cash	$ 6,150,020
Short-term investments, at cost and accrued interest (approximates market)	9,023,548

Amortized Cost

R.H. MACY & CO., INC. (JUL)

CURRENT ASSETS:	
Short-term investments, at amortized cost (approximate market)	$ 36,873,148

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 1-23.

Tax Refunds

ADAMS MILLIS CORPORATION (DEC)

CURRENT ASSETS	
Cash	$1,580,905
Notes and accounts receivable, less allowance of $150,000 in 1972	8,325,700
Recoverable federal income taxes–Note G	1,346,652

Note G: Income Taxes— During 1972 the Internal Revenue Service examined federal income tax returns filed by the Company and various subsidiaries for the year ended December 31, 1970. Adjustments in the income tax liability for the period examined which were proposed by the examining agent and agreed upon by the Company have been recorded at December 31, 1972.

At December 31, 1972, the Company elected to file a consolidated federal income tax return with its wholly-owned subsidiaries. As a result of this election, substantially all of the deposits of estimated federal income taxes made during the year are refundable. Additional amounts recoverable result from the carry-back of unused investment tax credits.

Amounts reported as payable at December 31, 1972 represent state income tax liabilities determined on the basis of filing seperate returns as required by the applicable state regulations.

The investment tax credits amounted to $389,799 in 1972 and $66,975 in 1971. The unused investment tax credit carry-over at December 31, 1972 amounted to $232,733.

TABLE 2-5: TRADE RECEIVABLES – BALANCE SHEET CAPTION

	1972	1971	1970	1969
Accounts receivable (*35,80,355)	201	188	186	192
Receivables (*255,385,496)	170	176	173	182
Accounts and notes receivable (*77, 250, 382)	160	164	159	157
Trade accounts receivable (*85, 168, 544)	62	60	57	46
Other	7	12	25	23
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 2-6: OTHER RECEIVABLES – TYPE

	1972	1971	1970	1969
Tax claims receivable (*18, 272, 669)	45	60	62	44
Due from government (*71, 246, 555)	22	22	24	30
Due from investees (*233, 310, 469)	25	22	21	23
Installment notes or accounts (*33, 83, 293)	37	31	37	22
Other– Identified (*16, 284, 379)	62	52	58	53
"Other" etc.	103	109	109	104
Total Presentations	**294**	**296**	**311**	**276**

*Refer to Company Appendix Section.

M.H. FISHMAN CO. INC. (DEC)

CURRENT ASSETS	
Refundable Federal Income tax (Note 3)	$1,030,725

Note 3: Federal Income Taxes— The Company and its subsidiaries will file consolidated Federal income tax returns commencing with the year ended December 31, 1972.

The refundable Federal income taxes represent amounts estimated to be refundable arising from the carry-back of investment tax credits, current net operating loss and the refund of advance payments made during the year.

The tax credits arising from the timing differences referred to in Note 1 are included in deferred Federal income taxes in the consolidated balance sheet.

The liability of the parent company and most of the subsidiaries for Federal income taxes for the years 1969 through 1972 is subject to final determination by the Internal Revenue Service.

HOMASOTE COMPANY (DEC)

CURRENT ASSETS:	
Refundable income taxes–note 10	$128,466

Note 10: Federal Income Taxes— The refundable income taxes at December 31, 1972 represent the excess of advance income tax payments over the actual liabilities for the year then ended.

MARHOEFER PACKING COMPANY, INC. (OCT)

CURRENT ASSETS:	
Cash	$1,023,405
Receivable Less Allowance for Doubtful Accounts 1972–$53,000	3,765,484
Refundable Income Taxes:	
Federal–Note 8	37,919
State–Note 9	89,631
Inventories–Livestock, Meat in Process, Finished Products and Supplies–at Replacement Prices	3,321,484
Expenses Applicable to Future Operation	137,014
Total Current Assets	**$8,374,937**

Note 8: Federal Income Taxes— The Company's federal income tax returns have been examined through

fiscal year ended October 30, 1971 with no significant changes being made. At October 28, 1972, the Company had a federal income tax refund claim due in the amount of $37,919. It also had a net operating loss carry forward of approximately $1,600,000 available to offset otherwise taxable income during the next five years.

Investment tax credits of approximately $21,000 at October 28, 1972 are also available for direct reduction of federal income taxes during the future years. The credit expires in fiscal years ending in 1978 and 1979 with the major portion of approximately $19,000 expiring in 1979.

Note 9: Indiana Gross Income Tax— The refund of $89,631 due from the State of Indiana resulted from legislation treating the meat packing industry as wholesalers rather than retailers for Indiana gross income tax purposes.

PIPER AIRCRAFT CORPORATION (AUG)

	1972	1971
CURRENT ASSETS:		
Federal income tax refund (Note 3)	$7,500,000	$1,886,600

Note 3: Income Taxes— The flood loss resulted in a Federal income tax refund of $7,372,000 (received in October, 1972) arising from a carryback against prior years taxable income, and a $749,000 reduction of Federal and State income taxes in 1972.

The 1971 refund results from the carryback of that year's loss as well as the adjustment of prior year's tax liabilities of $165,000 no longer required.

Provision is made for income taxes deferred or prepaid as a result of timing differences between financial and tax reporting of depreciation, pension costs and undistributed earnings of subsidiaries.

Installment Notes and/or Accounts

ASSOCIATED DRY GOODS CORPORATION (JAN)

	1973	1972
CURRENT ASSETS:		
Accounts receivable (Note A–3)—also see page 20	$152,012,000	$138,758,000
ACCOUNTS RECEIVABLE (page 20)		
Due from Customers:		
Regular accounts	$ 29,063,000	$ 33,388,000
Less net amount sold to Associated Dry Goods Credit Corporation	26,472,000	25,454,000
Net regular accounts	**$ 2,591,000**	**$ 7,934,000**
Deferred payment accounts	146,073,000	128,471,000
	$148,664,000	$136,405,000
Less allowance for doubtful accounts	7,604,000	7,610,000
	$141,060,000	**$128,795,000**
Other Accounts Receivable	10,952,000	9,963,000
	$152,012,000	**$138,758,000**

Note A-3: Accounts Receivable— In accordance with trade practice, installments maturing in more than one year on deferred payment accounts receivable have been included in current assets. Service charge income from deferred accounts receivable, which was previously reported in miscellaneous revenues—net, is now included in cost of goods sold and expenses.

OXFORD INDUSTRIES, INC. (MAY)

	1972	1971
CURRENT ASSETS:		
Receivables (Note A)	$31,093,587	$27,922,492
Note A. Receivables:	**June 2, 1972**	**May 28, 1971**
Trade accounts	$24,542,908	$21,724,882
Installment contracts	8,867,099	8,554,357
Claims for income tax refunds	261,396	473,480
Employees and other	814,120	164,267
	34,485,523	**30,916,986**
Less:		
Allowance for doubtful accounts	727,142	478,049
Unearned finance charges applicable to installment contracts	2,664,794	2,516,445
	$31,093,587	**$27,922,492**

The installment contract receivables include amounts due after one year of $5,429,584 in 1972 and $5,554,159 in 1971. The contracts are collateralized by the equipment sold.

SNAP-ON TOOLS CORPORATION (DEC)

ACCOUNTS RECEIVABLE	
Customers, less allowance for doubtful receivables (1972, $418,400)	$6,935,062
Installment receivables less unearned finance charges (1972, $1,975,527) and allowance for losses (1972, $165,930) (Note A2)	12,801,260
Dealers and salesmen	1,631,832
Other	347,103

Note A 2: Receivables—Installment receivables include amounts which are due subsequent to one year from balance sheet date. It is impracticable to present a segregation of receivables due within one year. Unearned interest applicable to the installment receivables is transferred to income, in part, in the month the receivable arises, as an offset to initial costs, and the remainder is taken into income in equal monthly amounts over the term of the obligations.

Other Receivables—Described

ADAMS-RUSSELL CO., INC.

CURRENT ASSETS:	
Cash	$ 282,085
Accounts receivable from customers (less reserve for doubtful accounts, $37336)	1,539,509
Accounts receivable under long-term contracts not yet billed (less progress payments of $1,117,696)	1,505,172
Inventories	602,471
Federal and state income taxes receivable	– –
Prepaid expenses, etc.–	
Consulting and noncompetitive agreements	17,241
Film contract rights	136,372
CATV supplies	66,432
Other	98,027
Total current assets	**$ 4,247,309**

AEROSOL TECHNIQUES, INCORPORATED (SEP)

	1972	**1971**
CURRENT ASSETS:		
Cash on hand and in banks	$ 471,107	$ 571,431
Notes and accounts receivable–trade, less allowance for doubtful accounts of $187,897	7,016,987	8,262,219
Miscellaneous receivables	81,011	171,628
Federal income tax refunds	60,878	98,617
Inventories	3,759,349	3,504,636
Notes receivable–officers and employees (Note C)	32,930	3,175
Prepaid expenses	218,433	232,238
Total Current Assets	**$11,640,695**	**$12,843,944**

Note C: Notes Receivable—As at September 30, 1972 and September 25, 1971 notes receivable consists of the following:

	1972	**1971**
Notes receivable–officer, collateralized by a collateral assignment of life insurance policies (*)	$285,000	$250,500
Notes receivable–officers and employees, in connection with exercise of restricted stock purchase grants, 1972 balance payable in six annual installments ($2,180 on July 1, 1973 and July 1, 1974, and $4,361 thereafter). The notes are collateralized by a security interest in 23,700 shares of the Company's Common Stock and bear interest at the rate of 4% per annum (Note H).	21,804	31,750
Notes receivables:		
Officers	29,500	– –
Employee	1,250	– –
Other	9,360	18,000
	346,914	**300,250**
Less: Current amounts	32,930	3,175
	$313,984	**$297,075**

(*) 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 approximates $34,000.

DAN RIVER INC. (DEC)

	($ thousands)
CURRENT ASSETS:	
Notes and accounts receivable:	
Trade	$50,362
Due from subsidiary company, not consolidated	– –
Due from factor	11,157
Other	3,456
	64,975
Less allowance for discounts, interest and doubtful receivables	1,329
Net notes and accounts receivable	**$63,646**

REYNOLDS METALS COMPANY (DEC)

CURRENT ASSETS	
Receivables:	
Customers, less allowances for losses $4,000,000	$156,904,000
Unconsolidated subsidiaries and associated companies	16,771,000
Other notes, accounts and claims	21,530,000
	$195,205,000

RECEIVABLES USED FOR FINANCING

The reports of 98 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.

Receivables Sold With Contingent Liability

CITY STORES COMPANY (JAN)

	1973	**1972**
CURRENT ASSETS		
Accounts receivable–Note E	$32,116,858	$39,036,053

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

	This Year	Last Year
ACCOUNTS RECEIVABLE:		
Customers–net of allowances of $2,035,401 and $2,308,558 respectively	$79,138,761	$76,309,158
Current portion of notes receivable	558,345	1,467,850
Federal income taxes	– –	490,000
Other–net of allowances of $143,157 and $97,001 respectively	3,002,447	2,768,760
	82,699,553	**81,035,768**
LESS:		
Customers accounts receivable assigned to City Stores Credit Corporation–net of equity of $5,621,505 and $4,668,895 respectively	50,593,540	42,020,058
City Stores Company and Retail Subsidiaries	**32,106,013**	**39,015,710**
Real Estate Subsidiaries–other receivables	10,845	20,343
City Stores Company and consolidated subsidiaries	**$32,116,858**	**$39,036,053**

TABLE 2-7: RECEIVABLES USED FOR FINANCING

Number of References	1972	1971	1970	1969
Sold – with contingent liability	70	57	62	51
Sold – without recourse	8	8	11	4
Used as collateral	21	23	26	28
Other	–	–	–	4
Total	**99**	**88**	**99**	**87**
Number of companies:				
Using receivables for financing	98	81	88	75
Not referring to use of receivables for financing	502	519	512	525
Total	**600**	**600**	**600**	**600**

Accounts receivable from customers include installment accounts of approximately $76,100,000 and $73,200,000 respectively.

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.

KOEHRING COMPANY (NOV)

	1972	1971
	($ thousands)	
CURRENT ASSETS:		
Cash	$16,437	$ 3,554
Receivables	56,532	46,756

Notes to Financial Statements

Note (4): Receivables at November 30:

	1972	1971
	($ thousands)	
Trade notes	$ 7,696	$ 2,571
Trade accounts	39,770	32,162
Affiliated companies	2,706	5,522
Amount due within one year on sale of plant facilities in Hamburg-Altona, Germany	2,947	5,621
Taxes refundable and future tax benefits	4,489	– –
Miscellaneous	2,587	3,974
Allowance for uncollectible accounts	(3,663)	(3,094)
	$56,532	**$46,756**

Koehring Company sells certain deferred payment receivables to its wholly-owned subsidiary, Koehring Finance Corporation, and Koehring may at its option repurchase any such receivables that become in default. Koehring has agreed to repurchase wholesale paper for any new equipment remaining unsold by a dealer or distributor at the expiration of twenty-four months after the date of origin of such paper. At November 30, 1972, and November 30, 1971, the subsidiary held receivables purchased from Koehring Company in the amounts of $67,854,000 and $51,876,000, respectively. The subsidiary's financial statements are also furnished herewith.

MIDLAND-ROSS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note H: Contingent Liability—In connection with the sale to a bank of certain notes receivable during 1972, the Company is contingently liable for the payment of such notes aggregating $4,880,000. The notes are due in four equal annual installments beginning in 1973.

THE VENDO COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies: Sale of Installment Sales Contracts—The Company has agreements with financial institutions for the sale of installment sales contracts. The income from the sale of these contracts is recognized at the time of sale; however, the payment of the discount factor is made monthly based on the uncollected balance of contracts sold at an interest rate based on the current prime rate. The discounts payable on notes sold is adjusted when the prime rate fluctuates significantly and this adjustment is recognized currently.

Note 2: Receivables and Installment Contracts—The Company was contingently liable for approximately $6,800,000 at December 31, 1972, and $7,800,000 at December 31, 1971, for the repurchase of delinquent contracts or repossessed collateral on installment sales contracts sold. The uncollected balances of contracts sold amounted to approximately $23,800,000 at December 31, 1972, and $29,100,000 at December 31, 1971.

Receivables in the accompanying consolidated balance sheet include $13,163,000 in 1972 and $15.192,000 in 1971 due from customers on installment sales contracts with terms up to sixty months, and amounts withheld as reserves for purchasers of installment sales contracts of $3,632,000 in 1972 and $4,292,000 in 1971. Foreign subsidiaries had pledged receivables totaling $2,372,000 in 1972 and $2,767,000 in 1971 as collateral on short-term notes payable.

WHITE MOTOR CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note F: Contingent Liabilitiy—At December 31, 1972, the companies are contingently liable under certain repurchase agreements for (1) $5,900,000 relating to domestic notes discounted after crediting, where appropriate, estimated potential realization on collateral, and (2) $16,700,000 relating to foreign notes discounted, without credit for realization on collateral.

Receivables Sold Without Recourse

THE DUPLAN CORPORATION (SEP)

CURRENT ASSETS:	
Cash	$ 3,170,362
Marketable securities, at cost, including accrued interest (approximates market)	3,536,919
Accounts and notes receivable, principally trade:	
Due from factors (Note 2)	12,736,008
Other, less allowance for doubtful accounts and cash discounts: 1972, $544,062	15,198,028
Federal income tax refund receivable	3,823,000
Inventories, at lower of cost (principally average cost) or market:	
Raw materials and supplies	9,806,224
Work in process	6,318,225
Finished goods	9,299,345
Prepaid expenses	1,182,920
Total current assets	**$65,071,031**

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

J.C. PENNEY COMPANY, INC. (JAN)

	1973	1972
CURRENT ASSETS		
Receivables, net	$146,956,183	$110,201,186

1972 Review of Operations and Financial Information

Receivables Increased in 1972 as Follows:

	Jan 27, 1973	Jan 29, 1972
	($ millions)	
CUSTOMER RECEIVABLES		
Regular charge account plan	$ 963.7	$762.2
Time payment account plan	170.0	127.5
	1,133.7	**899.7**
LESS		
Receivables sold to J.C. Penney Financial Corporation, less 5 per cent withheld pending collection	1,043.3	824.9
Allowance for doubtful accounts	22.7	18.3
	1,066.0	**843.2**
Customer receivables, net	67.7	46.5
OTHER RECEIVABLES	79.3	63.7
Receivables, net	**$ 147.0**	**$110.2**

Receivables, net includes an amount due from Financial (5 per cent withheld pending collection) of $54.9 million in 1972, compared with $43.4 million in 1971.

Customer receivables due after one year were approximately $113 million at year end 1972, compared with $89 million at year end 1971.

Almost all of Penney's customer receivables are sold to its wholly-owned subsidiary, J.C. Penney Financial Corporation, without recourse.

STELBER INDUSTRIES INC. (JUN)

	1972	1971
CURRENT ASSETS		
Notes and Accounts Receivable		
Less: Allowances for Bad Debt, $186,808 June 30, 1972; $147,123 June 30, 1971.	$2,562,627	$2,066,837

Notes to Consolidated Financial Statements

Note 7 (A): Loans—Rusch Factors, Inc.—Stelber Industries Inc. and some of its subsidiaries sell their accounts receivable to Rusch Factors, Inc. on a non-recourse basis with Rusch thereby assuming all credit risks. The current accounts receivable as at June 30, 1972 in the amount of $2,749,435 (gross amount) as presented in this Balance Sheet are receivables belonging to Stelber Industries Inc. and certain subsidiaries which do not factor their sales. The amount due from Rusch Factors, Inc. as at June 30, 1972 is $1,744,386. Interest is paid to Rusch for funds received prior to collection due date.

Following is the analysis of the net accounts receivable as at:

	Jun 30, 1972	Jun 30, 1971
Total Accounts Receivable	$8,328,432	$5,854,411
Less: Amount sold to Rusch Factors, Inc.	5,765,805	3,787,574
Net amount of Accounts Receivable, June 30	**$2,562,627**	**$2,066,837**

Receivables Used as Collateral

AMERICAN BEEF PACKÉRS, INC. (MAY)

CURRENT ASSETS:	
Trade accounts receivable (Note 3)	$30,638,142

Note 3 (in part): Assigned Assets—Substantially all trade accounts receivable and inventories are assigned as collateral for both the current and long-term notes payable under financing agreement, the notes payable to banks and the drafts in transit.

GENERAL PLYWOOD CORPORATION (OCT)

CURRENT ASSETS:	
Accounts receivable (NoteF):	
Trade	$ 913,449
Affiliates and other	347,688
	1,261,137
Less allowance for doubtful accounts	205,348
	$1,055,789

Note F (in part): Notes Payable and Long-Term Debt—Substantially all of the consolidated inventories and trade accounts receivable, and the proceeds from these items, and substantially all of the consolidated property, plant and equipment are assigned as collateral under the terms of the aforementioned borrowings. Under the terms of the above mentioned promissory notes, the Company is not permitted, without obtaining the prior written consent of the lender, to declare or pay any dividends in any one year in excess of 25% of its net income.

GRANGER ASSOCIATES (AUG)

CURRENT ASSETS:	
Notes and contracts receivable due after one year, less allowance for losses of $50,000 in 1972, (Note 3)	$587,285

Note 3: Notes and Contracts Receivable

Promissory note due from Dorne & Margolin, Inc. on sale of East Coast operations (Note 7)	$799,830
Other notes and conditional sales contracts	85,021
	884,851
Less Portion included in current assets	247,566
Balance due after one year	**637,285**
Less Allowance for Losses	50,000
	$587,285

The Dorne & Margolin note is due in monthly installments to February 1, 1976, in the amount of $19,044 principal plus interest computed at the average rate on bank loans paid by Granger. As collateral Granger holds a subordinated security interest in substantially all the net assets of Dorne & Margolin, Inc. The note is assigned as collateral for a bank loan payable by Granger.

TERMINOLOGY FOR "UNCOLLECTIBLE ACCOUNTS"

Terms used by the survey companies to describe an allowance for uncollectible accounts are summarized in Table 2-8. 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, *APB Opinion No. 12* states that such allowances should be deducted from the related receivables and appropriately disclosed.

Fifty-five companies, in addition to deducting an allowance for uncollectible accounts from receivables, also deducted amounts for unearned discounts, finance charges and interest.

TABLE 2-8: UNCOLLECTIBLE ACCOUNTS — TERMINOLOGY

Primary Descriptive Terms*	**1972**	**1971**	**1970**	**1969**
A. Allowance	412	401	389	372
B. Reserve	62	64	74	81
C. Provision	12	16	17	20
D. Estimate	13	12	16	16
Subtotal	**499**	**493**	**496**	**489**
Other terms	8	4	2	4
Accounts receivable (net)	3	7	4	8
No uncollectible accounts indicated	90	96	98	99
Total Companies	**600**	**600**	**600**	**600**
***1972 Term Used With**	**A**	**B**	**C**	**D**
Doubtful	244	16	7	6
Losses	39	2	4	3
Other phrases	15	1	1	4
Subtotal	**298**	**19**	**12**	**13**
Used alone	114	43	–	–
Total	**412**	**62**	**12**	**13**

INVENTORY

Only one of the companies did not show a caption entitled *inventories*. Of the 599 companies presenting inventories, 185 did not show any inventory detail. Table 2-9 presents the inventory descriptions most often used.

TABLE 2-9: INVENTORY – TERMINOLOGY

Finished Goods or Products	**1972**	**1971**	**1970**	**1969**
Used alone	237	214	214	203
Combined	115	106	99	102
Name of product (used alone)	69	54	47	62
Name of product (combined)	7	17	15	12
Total	**428**	**391**	**375**	**379**
Merchandise (alone or combined)	17	12	17	22
Work in Process				
Used alone	188	167	159	152
Combined	111	121	113	110
Other terms	61	50	49	66
Total	**360**	**338**	**321**	**328**
Raw materials				
Used alone	112	100	99	89
Combined with supplies and/or parts	194	185	175	173
Combined– other	46	43	43	41
Other terms	53	51	58	64
Total	**405**	**379**	**375**	**367**
Supplies				
Used alone	49	49	58	49
Combined	68	71	94	90
Other terms	12	15	26	34
Total	**129**	**135**	**178**	**173**
Number of Companies				
Presenting details of inventory	415	399	389	377
Not presenting details of inventory	185	201	211	223
Total	**600**	**600**	**600**	**600**

PRICING BASIS

Chapter 4 of *ARB No. 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.

TABLE 2-10: INVENTORY PRICING BASES

Bases	**1972**	**1971**	**1970**	**1969**
Lower of cost or market	530	530	513	511
Cost	58	65	72	77
Cost not in excess of market	37	31	42	42
Cost, less than market	24	25	29	24
Cost or less than cost	11	14	14	18
Market, or less than market	23	22	24	26
Various other bases	6	18	10	9
Total Disclosures	**689**	**705**	**704**	**707**
Number of Companies				
Stating one basis only	511	510	503	499
Stating more than one basis	85	89	92	96
Not stating basis, or no inventories	4	1	5	5
Total	**600**	**600**	**600**	**600**

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) is used less frequently than the average cost method.

TABLE 2-11: METHOD OF DETERMINING INVENTORY COST

Methods	**1972**	**1971**	**1970**	**1969**
First-in first-out (fifo)	377	333	292	276
Average cost	242	220	203	202
Last-in first-out (lifo)	150	144	146	153
Standard costs	54	36	30	30
Retail method	35	31	27	24
Accumulated or production cost	25	24	23	23
Replacement or current cost	8	13	16	16
Specific or "actual" cost	26	15	17	24
Other	3	6	11	12
Total Disclosures	**920**	**822**	**765**	**760**
Number of Companies:				
Stating cost method(s) for entire inventory	559	515	480	473
Stating cost method(s) for only part of inventory	18	30	31	29
Omitting cost methods	23	55	89	98
Total	**600**	**600**	**600**	**600**

TABLE 2-12: USE OF LIFO INVENTORY METHOD

	1972	1971	1970	1969
Applying lifo to all inventory classes	10	9	9	8
Applying lifo to certain inventory classes	140	135	137	145
No mention of application of lifo	450	456	454	447
Total Companies	**600**	**600**	**600**	**600**

Table 2-12 shows the extent of the use of the LIFO method. Of the 150 companies using LIFO as a method for determining the cost of inventories, 10 use LIFO for all inventories, 50 use LIFO for a major portion of inventories (more than 50 percent), 59 use LIFO for less than 50 percent of inventories, and 31 mention the use of LIFO but do not disclose the amount of inventories involved. During 1972, three companies completely or partially abandoned the use of LIFO and three companies extended the use of LIFO.

Table 2-13 shows the number and percentage of companies using LIFO in each industrial classification; 1971 numbers and percentages are shown for comparison.

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

First-In First-Out

AMERICAN STANDARD INC. (DEC)

	($thousands)
CURRENT ASSETS:	
Inventories	$282,641

Accounting Policies—Inventories are stated at December 31, 1972 and 1971, at the lower of cost, replacement market or estimated realizable value. Cost is determined generally on a first-in, first-out basis, except inventories aggregating $18 million and $34 million, respectively, which are stated on a last-in, first-out basis, which are $15 million and $16 million, respectively, less than current replacement cost.

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

	($ thousands)
CURRENT ASSETS:	
Cash	$ 8,914
Marketable securities—at cost which approximates market	9,500
Trade accounts receivable, less allowances (1972—$2,244,000) for doubtful accounts and discounts	69,392
Inventories—at the lower of cost (first-in, first-out) or market:	
Finished products	55,635
Work in process	21,796
Raw materials	15,288
	92,719
Prepaid expenses	4,397
Total Current Assets	**$184,922**

TABLE 2-13: COMPANIES REFERRING TO LIFO

	1972		1971	
Industrial Classification*	**No.**	**%****	**No.**	**%****
Foods:				
Meat products (362)	3	23	4	33
Dairy products	–	–	–	–
Canning, etc. (257)	2	50	3	43
Packaged and bulk (116)	5	24	3	18
Baking (582)	1	20	–	–
Sugar, confections, etc. (287, 575)	5	71	5	71
Beverages (56, 145)	3	33	4	50
Tobacco products (45)	2	25	1	12
Textiles (96, 390)	9	31	8	27
Paper products (191, 372)	10	63	9	56
Printing, publishing (543)	1	17	–	–
Chemicals (552)	4	15	4	13
Drugs, cosmetics, etc. (72)	3	17	3	20
Petroleum (139, 437)	15	60	14	53
Rubber products (254)	2	17	2	17
Shoes– manufacturing, merchandising, etc. (374)	1	13	2	25
Building:				
Cement (335)	1	14	2	29
Roofing, wallboard (317)	4	36	2	22
Heating, plumbing (39)	2	–	2	33
Other (198)	3	21	2	13
Steel and iron (11, 465)	14	–	13	65
Metal– nonferrous (434, 480)	10	63	10	71
Metal fabricating (104, 224)	5	29	5	38
Machinery, equipment and supplies (188, 231)	9	22	8	24
Electrical equipment, appliances (586)	2	17	2	14
Electrical, electronic equipment (695)	3	9	6	16
Business equipment and supplies	–	–	2	16
Containers (637)	2	22	2	22
Autos and trucks (including parts, accessories)	–	–	–	–
Aircraft and equipment, aerospace (413)	1	5	–	–
Railway equipment, shipbuilding, etc.	–	–	–	–
Controls, instruments, medical equipment, watches and clocks, etc. (184)	3	23	2	18
Merchandising:				
Department stores (352)	9	100	9	75
Mail order stores, variety stores	–	–	–	–
Grocery stores (98)	4	20	3	15
Other	–	–	–	–
Motion pictures, broadcasting	–	–	–	–
Widely diversified, or not otherwise classified (87, 628)	12	16	12	14
Total	**150**	**25**	**144**	**24**

*Refer to Company Appendix Section.

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

INTERNATIONAL HARVESTER COMPANY (OCT)

	1972	1971
	($ thousands)	
CURRENT ASSETS:		
Cash	$ 94,316	$ 68,305
Marketable securities, at lower of cost or market	20,687	38,269
Notes and accounts receivable—less allowances	489,455	439,104
Inventories (page 10)	1,122,218	915,564
Total current assets	**$1,726,676**	**$1,461,242**

Summary of Accounting Policies

Inventory Valuation—Inventories are valued generally at the lower of cost or market, except that materials for special defense production are stated at cost. Cost is generally determined on a first-in, first-out basis, and market is considered as replacement value. Such replacement value with respect to labor and overhead is the cost considered attainable under normal operating conditions.

Financial Review (Page 10)

Inventories—Worldwide inventories increased $207 million during 1972. Inventories by major classifications and by geographical area are as follows:

	1972	1971
	($ thousands)	
Finished goods	$ 552,256	$464,012
Raw materials and supplies	313,199	254,196
Work in process	214,756	168,629
Sub-total	**1,080,211**	**886,837**
IH equipment on short-term rental	42,007	28,727
Total	**$1,122,218**	**$915,564**
United States	$ 856,129	$686,088
Canada	66,975	49,088
Europe and Africa	124,106	118,438
Latin America	14,386	12,608
Pacific area	60,622	49,342
Total	**$1,122,218**	**$915,564**

Average Cost

GEORGIA-PACIFIC CORPORATION (DEC)

	Georgia-Pacific Excluding Louisiana-Pacific	Louisiana-Pacific	Consolidated
CURRENT ASSETS (000):			
Inventories, at the lower of cost or market (Note 4)	$258,390	$45,390	$303,780

Note 4: Inventory Valuation—At December 31, 1972, inventories were valued at the lower of cost or market with cost determined as follows:

	Average	Last-In, First-Out	Total
	($ millions)		
Georgia-Pacific—			
Finished products	$180.8	$ .4	$181.2
Raw materials and supplies	73.2	4.0	77.2
	$254.0	**$ 4.4**	**$258.4**
Excess of average cost over stated LIFO value		$ 1.3	
Louisiana-Pacific—			
Finished products	$ 16.1	$ 3.7	$ 19.8
Raw materials and supplies	22.6	3.0	25.6
	$ 38.7	**$ 6.7**	**$ 45.4**
Excess of average cost over stated LIFO value		$ 1.4	

HARSCO CORPORATION (DEC)

	1972	1971
CURRENT ASSETS:		
Cash:		
Demand deposits	$ 7,423,000	$ 11,284,000
Time deposits	8,079,000	9,996,000
Marketable securities, at cost (quoted market value: 1972, $3,172,000; 1971, $3,171,000)	1,987,000	1,945,000
Notes and accounts receivable, less allowances for uncollectible accounts (1972, $1,278,000; 1971, $1,248,000)	61,050,000	51,971,000
Inventories	59,075,000	59,147,000
Other current assets	1,531,000	2,167,000
Total current assets	**$139,145,000**	**$136,510,000**

Notes to Consolidated Financial Statements

Note 2: Inventories—Inventories at the balance sheet dates are classified and are valued as indicated in the following summary:

	1972	1971
Classification:		
Finished goods	$17,836,000	$16,029,000
Work in process*	18,690,000	23,450,000
Raw materials and purchased parts	20,021,000	17,237,000
Stores and supplies	2,528,000	2,431,000
	$59,075,000	**$59,147,000**
Valued at lower of cost or market:		
First-in, first-out basis	27,234,000	31,172,000
Average cost basis	31,841,000	27,975,000
	$59,075,000	**$59,147,000**

*Includes U.S. Government fixed price contract costs of $3,056,000 and $6,551,000 as of December 31, 1972 and 1971 after progress payments of $3,004,000 in 1971. There were no progress payments at December 31, 1972. The U.S. Government has a lien on inventories to the extent of any progress payments relating thereto.

PHILIP MORRIS INCORPORATED (DEC)

	(000)
CURRENT ASSETS:	
Inventories:	
Leaf tobacco	$591,894
Other raw materials	51,997
Work in process and finished goods	130,827
Housing programs under construction	26,427
	$801,145

Notes to Consolidated Financial Statements

Inventories—Inventories are valued at the lower of cost or market. The cost of leaf tobacco is determined on an average cost basis and the cost of other inventories is determined generally on a first-in, first-out basis. It is a generally recognized industry practice to classify the total amount of leaf tobacco inventory as a current asset although part of such inventory, because of the duration of the aging process, ordinarily would not be utilized within one year. The cost of housing programs under construction represents the cost of land, including offtract improvements, interest and property taxes, plus housing construction costs on sites currently under development.

BLUE BELL, INC. (SEP)

CURRENT ASSETS:		
Inventories of finished goods, goods in process, and materials (Note 2)	$104,717,357	$78,605,437

Note 2: Inventories—A summary of inventories, by method of pricing, is as follows:

	September 30	
	1972	**1971**
Last-in, first-out cost (not in excess of market)	$ 65,711,025	$56,666,416
Lower of cost (principally first-in, first-out) or market	39,006,332	21,939,021
Total	**$104,717,357**	**$78,605,437**

Inasmuch as a substantial part of the inventories is valued by use of the dollar value (single pool) last-in, first-out method, it is impracticable to separate inventory values as between raw materials, goods in process and finished goods.

Last-In First-Out

ALUMINUM COMPANY OF AMERICA (DEC)

	1972	**1971**
CURRENT ASSETS:		
Inventories	$432,810,941	$438,757,956

Summary of Significant Accounting Policies

Inventory Valuation—Inventories are carried at the lower of cost or market, with cost for substantially all inventories determined under the last-in, first-out (LIFO) method.

Notes to Financial Statements

Note A: Inventories—The classification of the inventories follows ($ thousands):

	Dec 31, 1972	**Dec 31, 1971**
Finished goods	$115,584	$136,515
Work in process	218,916	208,783
Bauxite and alumina	44,052	43,645
Purchased raw materials	31,936	29,279
Operating supplies	22,323	20,536
	$432,811	**$438,758**

If the average cost method utilizing current standard production costs had been used for inventory valuation instead of the LIFO method, inventories would have been $140,148 and $123,741 higher at December 31, 1972 and 1971.

KOEHRING COMPANY (NOV)

	($ thousands)
CURRENT ASSETS:	
Inventories: at current cost (approximates first-in, first-out method)	$120,295
Less allowance to reduce domestic inventories to cost on the last-in, first-out method	(28,052)
	92,243

Notes to Financial Statements

Note (5): LIFO Inventories and Cost of Products Sold—As explained in "Statement of Accounting Practices," the Company uses the last-in, first-out (LIFO) method for determining the cost of domestic inventories.

If the LIFO method had not been adopted:

(a) The reported net earnings for 1972 and 1971 would have been higher by approximately $925,000 ($.32 a share) and $2,060,000 ($.71 a share), respectively;

(b) Domestic inventories as of November 30, 1972, would have been $93,496,000 instead of $65,444,000, or $28,052,000 greater;

(c) Earnings retained in the business at November 30, 1972, would have been increased by approximately $14,025,000; and

(d) Additional Federal income taxes of approximately $14,000,000 would have been paid or accrued from 1957 to 1972, inclusive.

Statement of Accounting Practices

Inventories—Domestic inventories are stated on the basis of the last-in, first-out (LIFO) method of inventory accounting adopted in 1956. Under the LIFO method the procedure has been to charge higher costs to cost of products sold than would be the case under the first-in, first-out (FIFO) method while deferring relatively lower costs in inventory, thereby reducing earnings and inventories both for financial reporting and income tax purposes. International inventories are stated at costs which approximate the first-in, first-out (FIFO) basis.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

	1972	1971
CURRENT ASSETS:		
Cash	$ 60,384,000	$ 49,199,000
Short-term investments—at cost which approximates market	20,169,000	23,951,000
Accounts receivable—less $1,400,000 allowance for doubtful accounts	192,279,000	163,574,000
Inventories (Note 1)	296,390,000	287,662,000
Prepaid expenses	6,179,000	7,177,000
Total current assets	**$575,401,000**	**$531,563,000**

Summary of Accounting Policies

Inventories—Inventories are valued at the lower of cost or market.

Whiskey in storage for aging over a number of years is included in current assets in accordance with the general practice in the distilling industry.

Notes to Financial Statements

Note 1: Inventories

	December 31,	
	1972	1971
Finished goods	$ 76,541,000	$ 71,460,000
Work in process	28,034,000	26,962,000
Raw materials and supplies	42,486,000	44,978,000
	147,061,000	**143,400,000**
Bulk whiskey, other spirits and wines in bond	149,329,000	144,262,000
	$296,390,000	**$287,662,000**

Inventory costs of $111,982,000 at December 31, 1972 and $116,709,000 at December 31, 1971 were determined under the last-in first-out method. The remaining inventory costs were determined under either the first-in first-out or average cost methods. If inventories valued under the last-in first-out method had been determined under the first-in first-out method, total inventory value would have been increased by approximately $46,000,000 at December 31, 1972.

THE RATH PACKING COMPANY (SEP)

	1972	1971
CURRENT ASSETS:		
Inventories (Notes 1 and 3)	$10,214,000	$14,039,000

Note 1 (in part): Accounting Policies: Inventories— Inventories are stated on the following bases:

Pork products—Last-in, first-out (LIFO) cost, which is below approximate current market, less allowance for selling and distribution expenses

Products other than pork—Approximate current market, less allowance for selling and distribution expenses

Materials and supplies—Lower of first-in, first-out cost or market

Note 3: Inventories—A summary of the composition of inventories follows:

	Sep 30, 1972	Oct 2, 1971
Pork products	$ 3,973,000	$ 7,841,000
Products other than pork	3,584,000	3,468,000
Materials and supplies	2,657,000	2,730,000
	$10,214,000	**$14,039,000**

The LIFO cost of pork products was below approximate current market, less allowance for selling and distribution expenses, by $4,544,000 at September 30, 1972, $2,843,000 at October 2, 1971 and $1,992,000 at October 3, 1970.

LIFO inventory quantities at September 30, 1972 were lower than at the end of the preceding fiscal and tax years. However, the Company has estimated that such quantities at December 31, 1972 will not be greater than the quantities at September 30, 1972; therefore, no reserve for replacement of LIFO inventories was provided at September 30, 1972. Similarly, no replacement reserve was provided at the end of the 1971 fiscal year.

The 1972 liquidation of LIFO inventory quantities, carried at the lower costs prevailing in certain earlier years, resulted in a reduction in the loss from operations for the year ended September 30, 1972 of approximately $1.800,000, or $1.51 per share of common stock.

Standard Cost

AKZONA INCORPORATED (DEC)

	($ thousands)
INVENTORIES:	
Finished goods	$45,179
Work in process	18,164
Raw materials	19,605
General stores	14,442
	$97,390

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies: Inventories— Inventories are stated at the lower of standard cost (approximating average cost) or market. Market represents replacement cost with respect to raw materials and general stores and net realizable value with respect to work in process and finished goods.

ANHEUSER-BUSCH, INCORPORATED (DEC)

	1972	1971
CURRENT ASSETS:		
Cash (including certificates of deposit of $28,116,000 in 1972 and $30,669,000 in 1971)	$ 41,369,000	$ 41,466,000
Marketable securities (short-term), at cost which approximates market	27,448,000	27,434,000
Accounts and notes receivable, less allowance for doubtful accounts of $845,000 in 1972 and $850,000 in 1971	38,098,000	33,717,000
Inventories, at lower of cost or market (note 2)–		
Finished goods	5,218,000	5,868,000
Work in process	16,878,000	16,110,000
Raw materials and supplies	36,966,000	38,065,000
Total current assets	**165,977,000**	**162,660.000**

Summary of Accounting Principles and Policies

Inventories and Production Costs– Inventories are valued at the lower of cost or market. Cost of raw materials and supplies is determined under the last-in, first-out and average cost methods. Cost of work in process and finished goods is based principally on standard costs, which approximate actual manufacturing and raw material cost, adjusted for last-in, first-out valuation of certain raw materials. Approximately one-half of total inventories (principally brewing raw materials) are valued under the last-in, first-out method.

Notes to Consolidated Financial Statements

Note 2: Inventory Valuation– Approximately 55% of total inventories at December 31, 1972 and 1971, are stated on the last in, first-out inventory valuation method. Had the average cost method been used with respect to such items at December 31,1972, and December 31,1971, total inventories would have been $6,858,000 and $4,155,000 higher, respectively.

HEWLETT-PACKARD COMPANY (OCT)

	($ thousands)
CURRENT ASSETS:	
Inventories, at standard cost, which approximates first-in,first-out, not in excess of replacement market:	
Finished goods	$34,592
Work in process	56,694
Raw materials	27,277

OWENS-ILLINOIS, INC. (DEC)

	($ thousands)
CURRENT ASSETS:	
Inventories at lower of cost or market:	
Finished goods and work in process	$171,708
Raw materials and operating supplies	68,556

Statement of Accounting Policies

Inventory Valuation– Inventories are valued at the lower of cost or market. In general, finished goods, work in process and repair parts manufactured internally are valued at standard costs, which approximate average costs, developed for individual items on the basis of current material, labor and overhead costs and normal activity levels. Plants not using standard costs value finished goods at average cost of production. Raw materials, purchased operating supplies and repair parts are valued at average costs of items on hand. Provisions for loss because of age or condition are made as required.

Retail Method

W.T. GRANT COMPANY (JAN)

CURRENT ASSETS	
Cash, including at January 31, 1972, short-term securities of $13,001,173 at cost (approximate market)	$ 30,943,099
Accounts receivable–Note H	
Customers' installment accounts	556,091,352
Less allowance for doubtful accounts and unearned credit insurance premiums	24,538,014
	531,553,338
Other accounts receivable, claims, etc.	11,198,027
Total accounts receivable, net	**542,751,365**
Merchandise inventories (including merchandise in transit)– at the lower of the cost or market determined principally by the retail inventory method ...	399,532,793
Prepaid taxes, rents, supplies, etc.	6,648,311
Total Current Assets	**979,875,568**

MOTT'S SUPER MARKETS, INC (DEC)

CURRENT ASSETS	
Merchandise Inventory–Note 2	2,934,263

Note 2: Merchandise Inventory– Inventories of groceries in supermarkets are determined on the basis of the retail method. Inventories of meat, produce and delicatessen are valued at market, on the first-in, first-out basis. Inventories of other retail operations are determined by the retail method.

Accumulated Cost

THE LTV CORPORATION (DEC)

	($ thousands)	
	1972	1971
CURRENT ASSETS:		
Inventories	$359,952	$387,013

Financial Comments

Inventories at December 31 include the following:

	1972	1971
	(millions)	
Unreimbursed costs and fees under cost-plus fee contracts	$ 19.5	$ 34.1
Products	198.1	173.1
Contracts, etc. in progress	199.9	266.0
Materials, purchased parts and supplies	99.6	115.5
	517.1	**588.7**
Less progress payments received	157.2	201.7
	$ 359.9	**$387.0**

The inventory amounts at December 31, 1971, include $50.8 million with respect to E-Systems and Altec Corporation, disposed of in 1972. Year-end inventories of meat products and of steel products increased over 1971. Inventories of aerospace products were about the same at both dates. At December 31, 1972, the current or replacement cost of certain inventories priced at LIFO cost exceeded the stated LIFO value by approximately $101.2 million.

Statement of Accounting Policies

Inventories— Product and materials inventories are generally valued at lower of average or "first-in, first-out" cost or market (net realizable value) except for steel products which are valued at cost on the basis of "last-in, first-out" which is lower than market, and certain meat products where costs are not ascertainable which are valued at market, less allowance for selling and distribution expenses.

Fixed price contracts, 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 contracts. Raw materials and purchased parts are stated at average cost, not in excess of market.

Replacement or Current Cost

PHILLIPS PETROLEUM COMPANY (DEC)

CURRENT ASSETS:	
Inventories—Note 1:	
Crude oil, petroleum products and merchandise	$245,764,000
Materials and supplies	35,093,000

Note 1 (in part): Accounting Policies: Inventories— Crude oil and petroleum products are priced substantially at cost, which is lower than market in the aggregate, calculated mainly by the last-in, first-out method with crude oil on an annual basis and refined products, chemicals, and natural gasoline products on a monthly basis. Materials and supplies are priced at average cost or replacement cost, with allowance for condition of used material.

DETERMINATION OF "MARKET"

Table 2–14 shows that 128 companies defined *market* when discussing inventory valuation. Examples of terms used to describe or amplify *market* follow.

Market Based On Replacement Concept

INDIAN HEAD INC.

INVENTORIES, AT LOWER OF COST (FIRST-IN, FIRST-OUT) OR MARKET:	
Raw materials and supplies	$21,258,000
Work in process	20,152,000
Finished goods	27,047,000
	$68,457,000

Summary of Accounting Policies

Inventories—Inventories are valued at the lower of cost (first-in, first-out) or market. Market has been considered as the lower of either estimated replacement market or estimated selling market after allowance for administrative and selling expenses. In pricing the inventories, allowance was made for obsolete, slow-moving and other irregular merchandise.

NORTHWEST INDUSTRIES, INC. (DEC)

CURRENT ASSETS:	
Cash and cash equivalent	$ 90,030,000
Marketable securities	47,410,000
Notes and accounts receivable (less allowance for possible losses of $2,491,000)	93,994,000
Inventories:	
Finished goods	80,068,000
Work in process	20,205,000
Materials and supplies	58,835,000
Future tax benefits—current portion	40,650,000
Prepaid expenses and other	1,641,000
Total current assets	**$432,833,000**

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part): Inventories—Inventories are stated at the lower of cost (first-in, first-out or average) or market. Market represents current replacement cost by purchase or reproduction, and is not in excess of net realizable value.

ST. REGIS PAPER COMPANY (DEC)

	1972	1971
	(000)	(000)
CURRENT ASSETS:		
Cash	$ 58,297	$ 42,629
Short-term investments, at cost approximating market	48,356	539
Receivables, less allowances of $4,948 in 1972 and $4,726 in 1971	131,746	126,962
Inventories, at lower of cost or market	130,325	133,259
Total current assets	**$368,724**	**$303,389**

TABLE 2-14: INVENTORY "MARKET"

Description of Market	1972	1971	1970	1969
Replacement value	68	37	35	38
Realizable value	96	47	41	42
Hedging procedure	6	5	5	7
Other	1	–	2	1
Total References	**171**	**89**	**83**	**88**
Number of Companies				
Defining market	128	75	62	73
Referring to but not defining market	457	508	498	505
No reference to market in inventory pricing data	15	17	40	22
Total	**600**	**600**	**600**	**600**

Summary of Accounting Policies

Inventories—Inventories are stated at the lower of cost or market. In general, for raw material and supplies, market represents replacement cost; for finished products, market represents selling price less related selling and shipping expenses.

Notes to Financial Statements

Inventories—Inventories consisted of:

	1972	1971
Finished products	$ 44,333,000	$ 43,456,000
Work in process	15,524,000	14,740,000
Raw materials and supplies	61,929,000	64,409,000
Logging operations in progress	8,539,000	10,654,000
Total	**$130,325,000**	**$133,259,000**

Market Based on Realization Concept

BIRD & SON, INC. (DEC)

	1972	1971
CURRENT ASSETS:		
Cash, including certificates of deposit of $2,500,000 in 1972 ($1,500,000 in 1971)	$ 5,129,000	$ 4,111,000
Marketable securities, at cost which approximates market	6,910,000	4,959,000
Accounts and notes receivable, less allowance for doubtful accounts–$463,000 in 1972 ($306,000 in 1971)	14,988,000	16,079,000
Inventories–Notes 1 and 3	12,304,000	11,939,000
Accumulated income tax prepayments	162,000	99,000
Prepaid expenses	813,000	860,000
Total current assets	**$40,306,000**	**$38,047,000**

Note 1 (in part): Summary of Significant Accounting Policies: Inventories—Inventories are stated at the lower of cost (generally determined on a first-in, first-out basis) or market. Market for raw materials and supplies is based on current replacement cost and for work-in-process and finished goods on net realizable value.

Note 3: Inventories—Inventories are summarized as follows:

	1972	1971
Raw materials and supplies	$ 5,890,000	$ 5,403,000
Work in process	1,400,000	1,286,000
Finished products	5,014,000	5,250,000
	$12,304,000	**$11,939,000**

DRESSER INDUSTRIES, INC. (OCT)

	($ thousands)
CURRENT ASSETS:	
Inventories–at lower of cost (principally average cost) or market	
Finished products and work in process	$167,382
Raw materials and supplies	62,885
	$230,267

Summary of Significant Accounting Policies

Inventories—The "lower of cost or market" valuation basis is interpreted conservatively. Production costs in excess of those which would be incurred at normal production volume are excluded from inventory costs. "Market" is interpreted to mean the lower of replacement costs or net realizable value, after providing for marketing costs. All obsolete inventory, as well as items in excess of a two-year supply which are determined to be unsalable, are valued at their net realizable.

METRO-GOLDWYN-MAYER INC. (AUG)

CURRENT ASSETS:	
Inventories, at lower of cost or estimated realizable value:	
Film productions:	
Released, less amortization	$ 91,423,000
Completed, not released	925,000
In process	14,237,000
Books, rights and preproduction costs	1,695,000
Television productions, less amortization	6,635,000
Other	1,683,000
Total inventories	**$116,598,000**

Hedging Procedure

CONAGRA, INC. (JUN)

	1972	1971
CURRENT ASSETS:		
Inventories (note 3)	$29,566,770	$30,450,020

Note (3): Inventories:

	Jun 25, 1972	Jun 27, 1971
Grain and flour	$11,384,200	$10,196,890
Formula feeds, ingredients and related inventories	5,373,668	7,626,429
Packaged foods	1,721,191	2,137,744
Livestock, poultry and related inventories	8,190,544	8,002,606
Containers, supplies, etc.	1,643,239	1,577,878
	28,312,842	**29,541,547**
Advance on commodity purchases	1,253,928	908,473
	$29,566,770	**$30,450,020**

Grain and flour inventories are generally hedged to the extent practicable and are stated at market including adjustment to market of open contracts for purchases and sales. Inventories not hedged are priced at the lower of average cost or market.

INVENTORY RESERVES

Table 2–15 summarizes the nature of inventory reserves disclosed by the survey companies. Chapter 6 of *ARB No. 43* and *APB Opinion No. 12* discuss the subject of reserves.

TABLE 2-15: INVENTORY RESERVES — PURPOSE

	1972	1971	1970	1969
Reduction to lifo cost	10	8	6	5
Base stock adjustment	1	1	1	1
Obsolescence	4	2	2	1
Possible future price declines or losses	3	2	5	3
Other	2	2	2	1
Purpose not stated	1	2	4	3
Subtotal	**21**	**17**	**20**	**14**
No reference to inventory reserves	579	583	580	586
Total Companies	**600**	**600**	**600**	**600**

LIFO Replacement

ARCHER DANIELS MIDLAND COMPANY (JUN)

Notes to Financial Statements

Note 3: Inventories:

	1972	1971
At lower of cost (first-in, first-out method) or market:		
Soybeans and other raw materials	$37,488,902	$29,632,993
Sundry products	9,801,533	3,903,132
Materials and supplies	1,511,193	1,240,893
	48,801,628	**34,777,018**
At market:		
Wheat and other grains, flour and meal	35,912,789	35,185,059
At cost (last-in, first-out method) which is not in excess of market:		
Soybean oil, linseed oil, sperm oil, crude fish oil and certain grains	9,896,740	9,867,419
Total	**$94,611,157**	**$79,829,496**

Inventories at market have been priced on the basis of market prices for grain at June 30, including adjustments of open purchase and sale contracts to market at that date. The Company generally follows a policy of hedging its transactions in these and certain other commodities to minimize risk due to market fluctuations.

Inventories at cost (last-in, first-out method) which is not in excess of market have a current cost in excess of the inventory basis used in the financial statements of $4,140,000 at June 30, 1972 and $5,096,000 at June 30, 1971. In addition, provision has been made in the amount of $2,375,000 ($4,020,000 for 1971) for the anticipated cost in excess of lifo basis of replacing quantities of certain lifo inventories by December 31, 1972, the end of the reporting year for income tax purposes.

Reduction to LIFO Cost

NORTH AMERICAN ROCKWELL CORPORATION (SEP)

	1972	1971
CURRENT ASSETS:		
Inventories	$420,504,000	$375,965,000

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (in part): Inventories—Inventories are stated at the lower of cost (average, FIFO or LIFO methods) or market, less progress payments received on contracts as to which title to the related inventories vests in the United States Government.

Work in process inventories under United States Government fixed-price type contracts of the Aerospace and Electronics Groups are stated generally at the total of the direct costs of manufacturing, engineering, and tooling and overhead applicable thereto (including general and administrative expenses, bidding expenses, and independent research and development costs allowable in accordance with United States Government procurement practices), less costs allocated to delivered items and reductions, where applicable, to estimated realizable values. Portions of such inventories, which in general relate to long-term programs, are not expected to be delivered within one year but are included in current assets in accordance with industry practice.

Note 4: Inventories—Inventories at September 30, 1972 and 1971 are summarized as follows:

	1972	1971
Finished goods	$ 85,689,000	$ 74,937,000
Work in process	331,859,000	345,529,000
Raw materials, parts, and supplies	112,635,000	96,673,000
Total	**530,183,000**	**517,139,000**
Less allowance to reduce carrying value of certain inventories from a first-in, first-out basis to a last-in, first-out basis	32,105,000	24,928,000
Remainder	**498,078,000**	**492,211,000**
Less progress payments	77,574,000	116,246,000
Inventories-net	**$420,504,000**	**$375,965,000**

Work in process under United States Government contracts accounted for 31% of the total work in process inventories at September 30, 1972 and 43% at September 30, 1971.

UNBILLED COSTS

Certain companies, particularly those furnishing goods and services to governments and others under long-term contracts, incur costs which will be chargeable to customers but which are frequently not in the form of tangible assets. Such assets, less related advances on account or progress payments, are sometimes included with receivables or inventories, but more frequently are shown as a separate caption. Table 2-16 shows the number of companies presenting unbilled costs. Examples of balance sheet presentations for unbilled costs are shown below and in connection with Table 1-23.

DOYLE DANE BERNBACH INC. (OCT)

CURRENT ASSETS:

Expenditures billable to clients	$4,753,895

TABLE 2-16: UNBILLED COSTS

	1972	1971	1970	1969
Shown as separate balance sheet caption	26	29	24	30
Included in inventories	8	9	15	22
Included in receivables	10	10	11	13
Companies Presenting Unbilled Costs in Balance Sheet	**44**	**48**	**50**	**65**

EMERSON ELECTRIC CO. (SEP)

($ thousands)

	1972	1971
CURRENT ASSETS		
Cash	$ 8,575	$ 12,119
Short-term investments, at cost which approximates market	47,387	23,514
Receivables, less allowance for doubtful accounts of $1,800,000 (1971-$1,722,000)	124,176	117,063
Unbilled costs and estimated earnings under defense contracts, less progress billings of $3,491,000 (1971-$3,689,000)	2,590	3,611
Inventories, at the lower of cost (principally first-in, first-out) or replacement market:		
Finished products	52,305	50,607
Raw materials and work in process	129,164	129,768
Total inventories	**181,469**	**180,375**
Prepaid expenses	3,755	3,127
Total current assets	**$367,952**	**$339,809**

RAYTHEON COMPANY (DEC)

CURRENT ASSETS:

	1972	1971
Accounts receivable:		
U.S. Government contracts, direct and indirect, including unbilled costs and fees on cost-type contracts: 1972-$13,098,721; 1971-$16,951,280	$ 47,389,974	$ 51,872,322
Other customers, less allowance for doubtful accounts: 1972-$3,146,649; 1971-$2,032,256	147,758,892	129,999,747
Inventories (note A):		
Fixed price contracts in process, less progress payments: 1972-$309,884,142; 1971-$250,864,287	90,091,056	109,725,094
Other	132,176,524	131,403,876
CURRENT LIABILITIES		
Advance payments, less fixed price contracts in process: 1972-$89,281,982; 1971-$118,181,154.	$ 25,126,795	$ 20,909,918

Note A: Accounting Policies: Inventories—The company follows the practice of accruing income from certain fixed priced 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, increased funding has been assumed based on equitable adjustments of contract prices for increased scope and other changes ordered by the customer. 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 process 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 RUCKER COMPANY (DEC)

CURRENT ASSETS

Costs and estimated earnings in excess of billings on uncompleted contracts	$907,517

PREPAID EXPENSES

Of the 600 survey companies, 463 presented prepaid items in their 1972 balance sheets. Table 2-17 summarizes the nature of such items. Examples illustrating captions used to describe prepaid items follow.

AMPEX CORPORATION (APR)

	($ thousands)
CURRENT ASSETS:	
Cash	$ 9,335
Notes and accounts receivable, less allowances	82,856
Inventories—at lower of average cost or net realizable market value	91,666
Prepaid royalties, net of amortization	7,937
Other prepaid expenses	10,205
Total current assets	**$201,999**

ETHAN ALLEN, INC. (SEP)

CURRENT ASSETS

Prepaid expenses, taxes and sundry receivables	$2,532,707

BRISTOL-MYERS COMPANY (DEC)

CURRENT ASSETS:

Prepaid expenses	$15,358,000
Prepaid taxes	21,798,000

H. J. HEINZ COMPANY (APR)

CURRENT ASSETS:

Prepaid insurance, supplies, taxes and sundry	$16,098,198

MARSHALL FIELD & COMPANY (JAN)

CURRENT ASSETS:

Prepaid insurance, supply inventories, etc.	$3,749,450

TABLE 2-17: PREPAID ITEMS

Nature	1972	1971	1970	1969
"Prepaid expenses" (*22, 307, 625)	294	288	305	315
"Prepaid expenses and other current assets" (*98, 339, 687)	55	54	52	46
Taxes paid in advance (*17, 146, 574)	21	25	33	36
Unexpired insurance (*15, 103, 712)	12	18	14	23
Prepaid expenses and taxes paid in advance (*6, 115, 317)	28	24	17	16
Supplies and prepaid expenses (*68, 229, 361)	13	15	16	13
Expenses applicable to future periods (*207, 366, 631)	7	8	6	7
Other captions indicating prepaid expenses (*149, 338, 575)	60	56	56	45
Total Presentations	**490**	**488**	**499**	**501**
Number of Companies				
Presenting prepaid items	463	460	454	444
Not presenting prepaid items	137	140	146	156
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

METRO-GOLDWYN-MAYER INC. (AUG)

CURRENT ASSETS

Prepayments	$ 2,782,000
Future tax benefits	11,758,000

MOHASCO INDUSTRIES, INC. (DEC)

	($ thousands)
CURRENT ASSETS:	
Prepaid expenses and deferred charges	$3,912

PENNWALT CORPORATION (DEC)

CURRENT ASSETS:

Prepaid pension costs and other expenses	$6,792,000

PRATT-READ CORPORATION (JUN)

CURRENT ASSETS:

Prepaid expenses and deposits	$224,852

RICHFORD INDUSTRIES, INC. (DEC)

CURRENT ASSETS:

Prepaid expenses and sundry receivables	$576,090

TABLE 2-18: OTHER CAPTIONS IN CURRENT ASSETS

Nature	1972	1971	1970	1969
Deferred income tax	69	55	52	41
Advances and/or deposits	26	21	25	18
Property held for resale	13	15	13	10
Other- identified	23	10	16	9
"Other current assets"	49	42	46	26
Total presentations	**180**	**143**	**152**	**104**
Number of companies				
Presenting other captions	155	129	134	96
Not presenting other captions	445	471	466	504
Total	**600**	**600**	**600**	**600**

OTHER CAPTIONS IN CURRENT ASSETS

In addition to the usual captions of *cash, marketable securities, receivables, inventories* and *prepaid expenses*, 155 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 2-42.

Advances and/or Deposits

CENTRAL SOYA COMPANY, INC. (AUG)

CURRENT ASSETS:	
Cash	$ 11,557,808
Receivables (less allowance of $3,999,826 in 1972 and $2,645,742 in 1971)	88,558,002
Inventories	89,228,782
Margin deposits on commodity futures contracts	6,005,376
Other current assets	4,138,192
Total current assets	**$199,488,160**

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

CURRENT ASSETS:	
Cash	$ 44,715,970
Marketable securities, at cost which approximates market	29,417,572
Receivables, less allowance for doubtful items	251,221,839
Advances on materials in transit and for future delivery	33,429,639
Inventories	314,254,263
Prepaid expenses	2,016,227
Total current assets	**$675,055,510**

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

CURRENT ASSETS:	
Cash	$ 3,411,693
Accounts and notes receivable, less allowance for doubtful receivables, $2,014,476 in 1972	58,805,117
Advances on grain purchases, etc. (note 2)	1,004,766
Inventories:	
Grain	25,639,741
Other raw materials	6,432,817
Finished and in process goods	22,191,861
Packages and supplies	2,901,574
Total inventories	**57,165,993**
Deferred income taxes	599,756
Prepaid expenses	1,606,116
Total current assets	**$122,593,441**

Note 2: Advances—The company is required to make deposits with the Canadian Wheat Board on wheat held as its shipping agent. The wheat so held at February 29, 1972 has been pledged as security for bank loans under Section 88 of the Canadian Bank Act. The agreement with the Board provides that the Board will take delivery of the wheat and repay the loans in the event of default on the loans. Such Section 88 bank loans, $2,924,000 at February 29, 1972, have been offset against the related deposits with the Board and are not included in the accompanying consolidated balance sheet.

Property Held for Resale

LOEWS CORPORATION (AUG)

CURRENT ASSETS:	
Cash, including time deposits (1972, $7,594,869)	$ 16,907,749
Accounts receivable, less allowance for doubtful accounts and cash discounts (1972, $3,160,080)	46,459,305
Inventories:	
Leaf tobacco	222,241,050
Manufactured stock	23,295,994
Materials, supplies and other	8,375,317
Real estate held for development and sale	55,048,625
Total current assets	**$372,328,040**

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Inventories—Inventories are valued at the lower of average cost or market. The entire inventory of leaf tobacco has been classified as a current asset in accordance with generally recognized trade practice although, due to the duration of the aging processes, the tobacco on hand includes requirements beyond the period of one year. It is not practicable to determine the amount not realizable within one year.

Real Estate Held for Development and Sale—The real estate held for development and sale is valued at the lower of cost or estimated realizable value. Interest, property taxes and other expenses incurred in connection with the holding and development of real estate are capitalized until the projects are completed.

Real estate held for development and sale and other assets held as investments in the amounts of $60,630,000 and $32,873,000 at August 31, 1972 and 1971, respectively, have been pledged to secure certain notes payable and long-term debt.

TRIANGLE PACIFIC FOREST PRODUCTS CORP. (DEC)

	(in thousands)
CURRENT ASSETS:	
Cash	$ 1,477
Notes and accounts receivable (less allowance for doubtful accounts of $739,000 in 1972)	26,016
Inventories (Notes 1B and 2)	30,669
Land and construction in progress (Note 3)	1,989
Prepaid expenses	755
Total current assets	**$60,906**

Note 3: Land and Construction in Progress—The cost of land acquired for resale and development as well as related costs are included in "land and construction in progress".

The corresponding mortgage liabilities bearing interest at rates varying from 6-8% relating to these properties are shown on the balance sheet as "mortgages payable on land held for resale or development".

Other—Identified

GENERAL PLYWOOD CORPORATION (OCT)

	Pro Forma 1972 (Note A)	**1972**	**1971**
CURRENT ASSETS:			
Cash	$ 126,392	$ 164,174	$ 66,685
Proceeds of sales	496,033	---	---
Accounts receivable:			
Trade	876,009	913,449	1,017,130
Affiliates and other:	347,688	347,688	55,991
	1,223,697	**1,261,137**	**1,073,121**
Less allowance for doubtful accounts	205,348	205,348	200,000
	1,018,349	**1,055,789**	**873,121**
Inventories (Notes C)	717,491	1,284,062	1,890,230
Prepaid expenses	68,800	86,768	55,416
Investment in stock (Note M)	200,000	200,000	---
Total Current Assets	**$2,627,065**	**$2,790,793**	**$2,885,452**

Note A (in part): Principles of Consolidation and Sale of Companies—The historical financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany profits, transactions and balances have been eliminated. A proforma balance sheet has been presented to show the effect of the sale, subsequent to October 31, 1972 of D. A. Clarke Veneers Limited and Beaverwood Products Corporation.

Note C: Inventories—Inventories, at the lower of average cost or market are as follows:

	1972	**1971**
Finished goods	$ 675,069	$ 606,209
Work in process	154,318	700,283
Raw materials	454,675	583,738
	$1,284,062	**$1,890,230**

Note M: Manchester Life and Casualty Management Corporation Stock—Upon exercise of an option by Manchester Life and Casualty Management Corporation in December, 1972, the Cpmpany sold its investment of 40,000 shares of Manchester stock for the option price of $5.34 per share. The shares were previously purchased from Interstate Credit Corporation for $5 a share.

UNITED BRANDS COMPANY (DEC)

	(in thousands)
CURRENT ASSETS:	
Cash	$ 18,894
Marketable securities, at cost which approximates market	64,225
Receivables—less allowance for doubtful accounts of $3,561	119,847
Inventories	94,412
Growing crops	29,678
Materials and supplies	25,331
Prepaid expenses	10,997
Total current assets	**$363,384**

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies: Inventories, Growing Crops and Materials and Supplies—Inventories, growing crops and materials and supplies are valued at the lower of cost or market. Cost is determined on the "first-in, first-out" or average basis.

TABLE 2-19: PROPERTY, PLANT AND EQUIPMENT — VALUATION BASES

	1972	**1971**	**1970**	**1969**
Cost	586	579	577	563
Substantially at cost	6	6	7	11
Other	3	3	1	4
Subtotal	**595**	**588**	**585**	**578**
Valuation basis not disclosed	5	12	15	22
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-20: LAND

	1972	1971	1970	1969
Land (*68, 578, 748)	404	400	395	393
Land and land improvements (*145, 227, 670)	82	80	80	64
Land and buildings (*17, 231, 496)	41	42	40	42
Land and/or specific type of land and/or rights (*18, 539, 308)	28	28	31	20
Other or no caption for land	12	9	11	24
Subtotal	**567**	**559**	**557**	**543**
Line of business breakdown (*66, 273, 437)	30	33	34	34
No breakdown of property	3	8	9	23
Total Companies	**600**	**600**	**600**	**600**
Timberlands, mineral lands, etc. (*312, 589, 660)	67	62	74	67

*Refer to Company Appendix Section.

PROPERTY, PLANT, AND EQUIPMENT

APB 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 shows that 595 companies disclosed the valuation basis of property.

APB 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 404 companies presented *land* as a separate caption and that 67 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 584 companies presented details of their depreciable assets. Of these companies, 546 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 2-21: DEPRECIABLE PROPERTY

Captions Presented	1972	1971	1970	1969
Buildings (*40, 588, 652)	301	302	295	283
Buildings and improvements (*34, 510, 751)	135	130	128	113
Buildings combined with land or equipment	71	84	91	72
Buildings– other captions (*44, 656, 663)	45	23	34	39
Subtotal	**552**	**539**	**548**	**507**
Machinery and/or equipment (*28, 249, 413)	439	430	420	416
Machinery and/or equipment combined with other (*8, 285, 755)	91	76	72	91
Machinery or equipment for rental or lease (*16, 48, 309)	43	41	31	25
Construction in progress (*9, 299, 702)	190	191	192	184
Leasehold improvements (427, 430)	113	97	94	81
Furniture, fixtures, etc. (*13, 138, 703)	67	71	72	66
Automobiles, marine equipment, etc. (*142, 655, 745)	66	81	57	53
Tools, dies, etc. (*233, 591, 686)	13	18	12	9
Other captions	76	72	110	82
Total Captions	**1650**	**1616**	**1608**	**1514**
Number of Companies				
Presenting above captions	545	535	535	502
Line of business breakdown (*165, 465, 518)	39	38	38	40
Not presenting details of depreciable property	16	27	27	58
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

Table 2—22, a summary of the terminology used to describe accumulated depreciation, shows that only 26 of the 600 companies use the term *reserve*. The first sec tion 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 sheet descriptions and the frequency of their combination with the primary terms. In addition to accumulated depreciation, 28 companies deducted valuation allowances from the property account. Such allowances were usually 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.

TABLE 2-22: ACCUMULATED DEPRECIATION

Primary Descriptive Terms*	**1972**	**1971**	**1970**	**1969**
A. Accumulated, etc.	475	466	473	452
B. Allowance, etc.	74	80	68	79
C. Reserve	26	26	26	31
D. Depreciation, etc., used alone, or other	25	28	33	38
Total Companies	**600**	**600**	**600**	**600**
Property valuation allowances	28	19	11	7
***1972 Term Used With**	**A**	**B**	**C**	**D**
Depreciation	290	38	12	9
Depreciation and amortization	128	22	5	7
Depreciation and depletion	25	8	5	3
Depreciation, depletion and amortization	28	6	–	4
Other	4	–	4	2
Total Companies	**475**	**74**	**26**	**25**

Breakdown by Nature of Property

ADAMS-MILLIS CORPORATION (DEC)

Statement of Consolidated Financial Position

	1972	**1971**
PROPERTY, PLANTS, AND EQUIPMENT:		
Land	$ 1,145,705	$ 1,151,901
Buildings	8,416,292	6,185,089
Machinery and equipment	29,336,808	20,898,199
Construction and equipment installations in progress (estimated additional cost to complete 1972–$2,400,000; 1971–$6,600,000)	2,009,044	3,311,423
	40,907,849	**31,546,612**
Less allowances for depreciation	16,788,494	14,883,759
Total property, plants, and equipment	**$24,119,355**	**$16,662,853**

Statement of Changes in Consolidated Financial Position

ADDITIONS;		
From operations:		
Net earnings	$504,107	$1,643,187
Add (deduct) items not affecting working capital in current year:		
Depreciation	2,603,276	2,304,437
Adjustment of carrying value of Certron Corp. stock	262,500	– – –
Deferred income taxes—noncurrent	(105,500)	(139,000)
Minority interest in earnings of subsidiary	132,759	60,273
Total from operations	**$3,397,142**	**$3,868,897**

Notes to Consolidated Financial Statements

Note A (in part): Summary of Accounting Policies: Property, Plants and Equipment—Property, plants and equipment are stated at cost. Property additions and betterments are charged to the property accounts while maintenance and repairs which do not improve or extend the useful life of the respective assets are expensed as incurred.

Depreciation—The provision for depreciation is computed using straight-line and accelerated methods. For income tax purposes, the guideline lives permitted by the Internal Revenue Service are used for certain assets, whereas individual asset lives are used for financial reporting purposes.

THE AMERICAN SHIP BUILDING COMPANY (SEP)

Consolidated Balance Sheets

PROPERTY, PLANT, EQUIPMENT AND CAPITAL CONSTRUCTION FUND DEPOSITS, AT COST (NOTE 6)	$61,539,612
Less—Accumulated depreciation	29,543,292
	$31,996,320

Consolidated Statements of Income

COSTS AND EXPENSES:	
Depreciation and amortization	$1,875,425

Note 6: Property, Plant, Equipment and Capital Construction Fund Deposits—The following is a summary of costs and accumulated depreciation of fixed assets at October 1, 1972:

	Cost	Accumulated Depreciation
Land	$ 2,036,332	$ – – –
Buildings and improvements	5,454,267	2,671,945
Other manufacturing facilities	12,191,198	4,834,761
Machinery and equipment	14,424,571	8,215,779
Vessels	25,715,322	13,820,807
	$59,821,690	**$29,543,292**
Capital construction fund deposits	1,717,922	– – –
	$61,539,612	**$29,543,292**

For financial reporting purposes, the Company and its subsidiaries provide depreciation principally on a straight-line method at annual rates based upon the estimated service lives of the property. During 1972, the lives of certain assets were extended, which had the effect of increasing net income for the year by approximately $137,000.

CITATION MANUFACTURING COMPANY, INC. (JUN)

Consolidated Balance Sheet

Fixed assets—at cost, less accumulated depreciation —Note 3	$597,285

Note 3 (in part): Fixed Assets—The Company uses both the straight-line and declining balance methods for computing depreciation. The assets and related accumulated depreciation are summarized as follows:

	1972		
	Cost	Accumulated Depreciation	Lives
Land	$ 22,509	$ — — —	
Land improvements	6,940	6,467	5 Yrs.
Buildings and building improvements	425,339	136,490	25 Yrs.
Machinery, equipment and furniture:	419,186	213,852	
Small tools			2-5 Yrs.
Machinery			6-10 Yrs.
Office machines			6 Yrs.
Office furniture			10 Yrs.
Autos, trucks and trailers	77,892	30,728	3 Yrs.
Construction-in-progress	32,956	— — —	
	$984,822	**$387,537**	

Depreciation expense amounted to $84,683 for the year ended June 30, 1972 and $83,829 for the year ended June 30, 1971.

Maintenance and repairs are charged to expense as incurred. Renewals and betterments which extend the useful lives of assets are capitalized. The cost and accumulated depreciation related to assets disposed of are relieved from the accounts and any profit or loss on disposal is reflected in income.

COLONIAL STORES INCORPORATED (DEC)

Consolidated Balance Sheet

PROPERTY AND EQUIPMENT, AT COST:	
Land	$ 4,037,047
Buildings and improvements	8,908,376
Fixtures and equipment	74,276,054
Transportation equipment	10,713,023
Improvements to leased premises	11,144,641
Construction in progress	2,917,894
	111,997,035
Less accumulated depreciation	51,423,582
Net property and equipment	**$ 60,573,453**

Statement of Changes in Consolidated Financial Position

FUNDS PROVIDED:	
Net earnings	$ 9,071,229
Charges (credits) not requiring working capital:	
Depreciation and amortization	8,108,871
Deferred income taxes, net	1,180,000
(Gain) loss on sales and abandonments of property and equipment	(178,253)
Provision for deferred pension expenses	280,000
Other	19,864
Total provided by operations	**$18,481,711**

Summary of Accounting Policies: Depreciation Method—The straight-line method is utilized for computing depreciation over the estimated useful lives of the assets, whereas for income tax purposes, accelerated methods are used for certain assets.

CONAGRA, INC. (JUN)

	1972	1971
PROPERTY, PLANT AND EQUIPMENT (NOTE 4)	$47,133,628	$43,007,331

Note (4): Property, Plant and Equipment:

	1972	1971
Land	$ 1,640,790	$ 1,537,928
Buildings, machinery and equipment	64,562,736	57,710,381
Furniture and fixtures	1,280,496	1,214,063
Autos, trucks, trailers, etc	2,888,393	2,904,684
Construction in progress	2,281,967	2,044,949
	72,654,382	**65,412,005**
Less accumulated depreciation	25,520,754	22,404,674
	$47,133,628	**$43,007,331**

Property, plant and equipment are stated at cost. Depreciation, provided for the most part by the straight-line method, amounted to $3,359,639 in 1972 ($2,583,783 in 1971).

CUMMINS ENGINE COMPANY, INC. (DEC)

Consolidated Statements of Financial Condition

PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land	$ 6,522,551	$ 5,420,289
Buildings	87,563,868	53,173,144
Machinery, equipment and fixtures	164,777,811	146,190,293
Construction in progress	11,350,625	14,648,867
Total Property, Plant and Equipment	**270,214,855**	**219,432,593**
Less: Accumulated depreciation (straight-line method)	98,817,050	86,625,673
Net Property, Plant and Equipment	**$171,397,805**	**$132,806,920**

Consolidated Statements of Earnings

Earnings before provision for income taxes—after depreciation of $14,545,765 in 1972	$ 13,354,170

Notes to Consolidated Financial Statements: Property, Plant and Equipment—Property, plant and equipment are recorded at cost and depreciation is charged to earnings on a straight-line basis over the estimated service lives. Maintenance and repairs are charged to earnings as incurred.

THE EASTERN COMPANY (DEC)

Consolidated Balance Sheet

	1972	1971
PROPERTY, PLANT AND EQUIPMENT—ON THE BASIS OF COST—NOTE A		
Land	$ 423,193	$ 433,193
Buildings	2,883,013	3,131,677
Machinery and equipment	8,250,194	8,225,263
Allowances for depreciation (deduction)	(5,839,799)	(5,996,790)
Total Property, Plant and Equipment	**$5,716,601**	**$5,793,343**

Statement of Consolidated Income

COSTS AND EXPENSES (INCLUDING PROVISION FOR DEPRECIATION AND AMORTIZATION: 1972—$865,511; 1971—$894,400—Note A)		
Cost of products sold	$25,691,335	$23,288,809
Selling and administrative expenses	4,347,258	3,994,115
Interest	108,832	157,504
Other	69,292	10,556
	$30,216,717	**$27,450,984**

Note A (in part): Summary of Significant Accounting Policies: Property, Plant and Equipment and Related Depreciation —Provision for depreciation of property, plant and equipment is computed generally using accelerated methods, except for the straight line method used for properties acquired prior to 1959, to amortize the cost of such assets over their estimated useful lives.

Expenditures for maintenance, repairs, renewals and betterments which do not materially extend the useful life of the assets are charged to costs and expenses. Upon routine sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the results of operations.

EASTMAN KODAK COMPANY (DEC)

Consolidated Balance Sheet

	1972	1971
	($ thousands)	
PROPERTIES		
Land, buildings, machinery, and equipment at cost	$3,007,020	$2,812,241
Less: Accumulated depreciation	1,447,845	1,302,044
Net properties	**$1,559,175**	**$1,510,197**

Consolidated Statement of Changes in Financial Position

FUNDS PROVIDED BY:		
Net earnings	$546,250	$419,305
Charges to earnings not requiring cash outlay:		
Depreciation	178,968	161,257
Plant and equipment retired, less accumulated depreciation	24,442	8,360
Provision for deferred income taxes, net	(7,050)	11,500
Amortization of excess cost of investments in subsidiaries over net assets acquired	1,291	1,150
Total from earnings	**$743,901**	**$601,572**

Notes to Financial Statements

Depreciation—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.

Properties and Accumulated Depreciation

	United States	Other Countries	Total 1972	Total 1971
		($ thousands)		
Properties				
Balance at beginning of year	$2,221,191	$591,050	$2,812,241	$2,559,414
Additions	178,322	74,066	252,388	294,732
Deductions	(41,980)	(15,629)	(57,609)	(41,905)
Balance at end of year	**$2,357,533**	**$649,487**	**$3,007,020**	**$2,812,241**
Made up of:				
Land	$ 43,517	$ 26,554	$ 70,071	$ 66,506
Buildings and building equipment	673,426	254,329	927,755	868,651
Machinery and equipment	1,581,085	344,825	1,925,910	1,757,190
Construction in progress	59,505	23,779	83,284	119,894
Totals as above	**$2,357,533**	**$649,487**	**$3,007,020**	**$2,812,241**
Accumulated Depreciation				
Balance at beginning of year	$1,068,717	$233,327	$1,302,044	$1,174,332
Provision for depreciation	139,432	39,536	178,968	161,257
Deductions	(22,815)	(10,352)	(33,167)	(33,545)
Balance at end of year	**$1,185,334**	**$262,511**	**$1,447,845**	**$1,302,044**

F&B/CECO INDUSTRIES, INC. (MAY)

Consolidated Balance Sheet

	1972	1971
RENTAL EQUIPMENT – AT COST – Net of accumulated depreciation (Notes 2 and 3)	$2,244,147	$2,438,624
OPERATING EQUIPMENT AND IMPROVEMENTS – AT COST – Net of accumulated depreciation and amortization (Notes 2 and 3)	225,711	234,735

Consolidated Statement of Income (Loss) and Retained Earnings

COSTS AND EXPENSES:		
Cost of goods sold	$2,358,883	$2,901,756
Selling, general and administrative expenses	3,021,473	3,557,365
Interest expense	197,016	200,869
Depreciation and amortization	332,906	310,560
Provision for bad debts	78,317	115,170
	$5,988,595	**$7,085,720**

Note 2: Rental Equipment and Operating Equipment and Improvements:

	1972	1971
Rental equipment	$3,532,296	$3,561,206
Less: Accumulated depreciation	1,288,149	1,122,582
	$2,244,147	**$2,438,624**
Operating equipment and improvements:		
Machinery and equipment	$ 209,733	$ 207,415
Furniture and fixtures	129,336	125,382
Automotive equipment	58,053	31,566
Leasehold improvements	207,775	190,191
	604,897	**554,554**
Less: Accumulated depreciation and amortization	379,186	319,819
	$ 225,711	**$ 234,735**

Depreciation and amortization are computed on the straight-line method based on the following useful lives for both years:

	Number of Years
Rental equipment	13⅓
Machinery and equipment	5-10
Furniture and fixtures	5-10
Automotive equipment	4-5
Leasehold improvements	Lease terms or useful life of 5-10 years

FEDERATED DEPARTMENT STORES, INC. (JAN)

Consolidated Balance Sheet

	1972	1971
Property and Equipment– net (page 23)	$530,601,736	$456,463,838

Consolidated Statement of Income

Cost of goods sold, including expenses exclusive of items listed below	$2,287,353,643	$2,024,109,092
Taxes other than federal income taxes	68,361,374	56,769,200
Depreciation and amortization	40,023,142	34,914,838
Real estate rent expense	23,754,191	21,773,434
Maintenance and repairs	20,193,749	17,860,593
Retirement expense	16,565,384	13,262,088
Interest expense– net	10,131,292	7,878,505
Total costs	**$2,466,382,775**	**$2,176,567,750**

PROPERTY AND EQUIPMENT (page 23)

	Cost	Accumulated Depreciation and Amortization	Net
		($ thousands)	
February 3, 1973:			
Land	$ 66,302	$--	$ 66,302
Buildings, substantially all on owned land	267,367	63,436	203,931
Buildings on leased land, improvements to leased properties and leaseholds	150,741	47,948	102,792
Store fixtures and equipment	248,516	90,940	157,576
	$732,927	**$202,325**	**$530,601**
January 29, 1972:			
Land	$ 59,692	$ --	$ 59,692
Buildings, substantially all on owned land	234,076	54,621	179,455
Buildings on leased land, improvements to leased properties and leaseholds	123,669	44,690	78,979
Store fixtures and equipment	218,777	80,440	138,337
	$636,216	**$179,752**	**$456,463**

Notes to Consolidated Financial Statements

Note 1 (in part)– Depreciation and amortization are provided on a straight-line basis for book purposes over the shorter of estimated asset lives or lease terms.

GENERAL HOST CORPORATION (DEC)

Consolidated Balance Sheet

	1972	1971
PROPERTY, PLANT AND EQUIPMENT AT COST, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION OF $48,935,000 AND $46,949,000 (NOTE 4)	$90,282,000	$85,436,000

Consolidated Statement of Income

COSTS AND EXPENSES:		
Cost of sales	$480,519,000	$257,558,000
Selling, general and administrative	54,668,000	40,306,000
Depreciation and amortization	7,577,000	4,619,000
Interest and debt expense	15,212,000	15,790,000
Provision for income taxes	697,000	275,000
	$558,673,000	**$318,548,000**

Note 4: Property, Plant and Equipment

	Dec. 30, 1972	Dec. 25, 1971
Land	$ 8,753,000	$ 7,530,000
Buildings	53,616,000	52,202,000
Machinery and equipment	59,886,000	58,373,000
Vehicles	6,440,000	5,175,000
Leasehold improvements	4,305,000	5,352,000
Construction in progress	6,217,000	3,753,000
	139,217,000	**132,385,000**
Less-accumulated depreciation and amortization	48,935,000	46,949,000
	$ 90,282,000	**$ 85,436,000**

The Company's policy is to depreciate plant and equipment over the estimated useful lives of the assets using the straight-line method for financial reporting purposes. Amortization of leasehold improvement is based on the length of the respective leases or the useful life of the respective assets if shorter. For tax purposes buildings are depreciated by the straight-line method while both straight-line and accelerated methods are used for the remaining assets.

HOMASOTE COMPANY (DEC)

Consolidated Balance Sheet

FIXED ASSETS:– Note 4	
Property, plant and equipment	$11,800,853
Less accumulated depreciation	7,091,477
	4,709,376

Consolidated Statement of Changes in Financial Position

FINANCIAL RESOURCES WERE PROVIDED BY:	
Net earnings	$ 800,136
Depreciation	645,215
	$1,445,351

Note 4 (in part): 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-digits method; some machinery and office equipment by the straight-line method, and automotive equipment by the declining balance method. Air pollution equipment is being depreciated over a five year period by the sum of years-digits method. The balances at December 31, 1972 and 1971 are as follows:

		1972	
	Cost	Accumulated Depreciation ($ thousands)	Book Value
Land	$ 86	$ --	$ 86
Buildings and additions	2,488	1,077	1,411
Machinery	8,141	5,417	2,724
Office equipment	192	159	32
Automotive equipment	520	269	251
Air pollution abatement equipment	373	169	204
Total	**$11,800**	**$7,091**	**$4,709**

LOWE'S COMPANIES, INC. (JUL)

Consolidated Balance Sheet

PROPERTY, IMPROVEMENTS AND EQUIPMENT (NOTE 2):	
At Cost Less Accumulated Depreciation–1972–$7,226,233	$ 19,330,239

Note 2 (in part): Properties and Depreciation—The company generally computes depreciation on fixed properties at accelerated rates for statement and income tax purposes. Leasehold improvements generally are amortized on a straight line basis over the term of the lease. Depreciation and amortization charged for 1972 was $2,295,310 and for 1971 was $1,626,561. The fixed properties and accumulated depreciation are summarized by major classes as follows:

	1972	
	Cost	Accumulated Depreciation
Land	$ 2,851,402	
Buildings	11,269,163	1,230,579
Equipment	3,251,841	1,705,097
Transportation	5,549,429	3,200,302
Leasehold	3,634,637	1,090,255
Totals	**$26,556,472**	**$7,226,233**

MALONE & HYDE, INC. (JUN)

Consolidated Balance Sheet

	1972	**1971**
PROPERTY, PLANT, AND EQUIPMENT–NOTE C		
Plant and equipment	$29,346,935	$26,476,082
Less allowances for depreciation and amortization	14,626,570	13,126,312
	14,720,365	**13,349,770**
Land	47,100	311,817
	$14,767,465	**$13,661,587**

Statement of Changes in Consolidated Financial Position

SOURCE OF FUNDS:		
From operations:		
Net income	$6,871,042	$6,051,998
Add items not requiring current outlay of working capital:		
Provision for depreciation	2,812,845	2,497,873
Amortization of excess of cost of investment in subsidiaries over book or appraised value of underlying assets	12,708	
Total From Operations	**$9,696,595**	**$8,549,871**

Note C: Property, Plant, and Equipment—Property, plant, and equipment is stated at cost less accumulated amortization and depreciation. Substantially all properties have been depreciated under the straight-line method over their estimated useful lives. The cost and useful lives of the property, plant, and equipment is as follows:

Classification	COST June 24 1972	 June 26 1971	Useful Lives
Buildings and improvements	$ 103,847	$ 228,179	10 to 40 years
Delivery equipment	6,266,194	5.352.092	3 to 7 years
Machinery and equipment	16.724,949	15.796.111	2 to 10 years
Office furniture, fixtures, and equipment	1.750,986	1.166.888	3 to 20 years
Leasehold improvements	4.500,959	3.932.812	Term of lease
	$29,346,935	**$26,476,082**	

MARTIN MARIETTA CORPORATION (DEC)

Balance Sheet

	1972	1971
PROPERTY, PLANT, AND EQUIPMENT:		
Land	$ 44,381,000	$ 37,326,000
Mineral deposits	23,133,000	23,241,000
Buildings	172,824,000	180,052,000
Machinery and equipment	726,059,000	708,017,000
	966,397,000	**948,636,000**
Less allowances for depreciation, depletion, and amortization	433,881,000	412,569,000
	$532,516,000	**$536,067,000**

Statement of Changes in Financial Position

SOURCES:		
From operations:		
Earnings before extraordinary credit	$ 53,467,000	$ 46,747,000
Items in earnings not affecting working capital:		
Depreciation, depletion and amortization	49,531,000	46,357,000
Noncurrent deferred income taxes	12,390,000	12,685,000
Minority interest in earnings	319,000	495,000
Equity in net earnings of associated companies, less dividends received	(3,125,000)	(1,015,000)
Other	1,347,000	385,000
Working capital provided by operations before extraordinary credit	**$113,929,000**	**$105,654,000**

Financial Review

Depreciation of Properties—Provision for depreciation and amortization of properties generally are computed over estimated service lives by the straight-line method applied to the cost of each class of property, plant, and equipment, except that accelerated depreciation methods are employed in the Aerospace business.

Depletion of mineral deposits is calculated over estimated recoverable quantities by the unit-rate of production method applied to the cost of each mineral interest.

Repairs and maintenance are charged to operations as incurred; major renewals and betterments are capitalized.

Generally at the time of retirement or other disposal of properties, the cost and related allowances for depreciation, amortization, and depletion are removed from the accounts, and any resulting gains or losses are reflected in earnings.

Property, Plant, and Equipment—Additions and depreciation for the current and prior year were ($ thousands):

	Additions		Depreciation	
	1972	**1971**	**1972**	**1971**
Cement	$ 5,893	$ 9,353	$ 9,700	$10,768
Aggregates	12,274	11,634	10,502	10,434
Chemicals	9,964	3,950	3,394	2,927
Aluminum	11,770	83,740	13,469	10,862
Aerospace	14,344	10,508	10,969	9,397
Other	6,353	4,991	1,497	1,969
	$60,598	**$124,176**	**$49,531**	**$46,357**

As of December 31, 1972, the total cost of property, plant, and equipment was $966,397 and, after allowance for depreciation, depletion, and amortization, the net carrying amount was $532,516 compared with $536,067 at the prior year-end.

MARYLAND CUP CORPORATION (SEP)

Consolidated Statement of Financial Position

Operating properties, at cost, net of allowance for depreciation and amortization (Notes 1 and 3)	$94,334,722

Consolidated Statement of Changes in Financial Position

SOURCE OF WORKING CAPITAL:	
From operations:	
Net income	$9.042,518
Charges not requiring current outlay of working capital:	
Depreciation and amortization	9,530,556
Deferred taxes and amortization of investment credit, net	120,972
Unfunded pension costs	359,334
Total working capital provided from operations	**$19,053,380**

Note 1 (in part): Depreciation and Amortization—The Company provides for depreciation of operating properties by charges to income over the estimated useful lives of such properties. Operating properties are depreciated principally on the straight-line method. Depreciation deductions for certain assets are determined for income tax purposes on accelerated methods and exceed book provisions on the straight-line method. The accumulated tax benefit is being deferred to subsequent periods when book provisions for depreciation will exceed the amounts allowed for income tax purposes. Leasehold improvements are being amortized generally over the period of the respective leases. Unamortized debt expense is being amortized over the term of the related debt.

Note 3 (in part): Operating Properties:

	1972	
	Cost	Accumulated Depreciation
Land	$ 4,920,106	---
Buildings	37,663,974	$ 6,789,442
Machinery and equipment	99,267,582	49,988,685
Leasehold improvements	654,964	185,390
Construction in progress:		
Buildings	28,090	---
Machinery and equipment	6,206,530	---
Parts inventory	2,556,993	---
	$151,298,239	**$56,963,517**

J. RAY MCDERMOTT & CO. (MAR)

Consolidated Balance Sheet

	1972	1971
PROPERTY, PLANT AND EQUIPMENT–AT COST	$288,663,504	$215,293,788
Less accumulated depreciation and amortization	103,264,213	88,862,505
Property, plant and equipment–net	**$185,399,291**	**$126,431,283**

Consolidated Statement of Income

Cost of operations	$269,626,067	$194,853,222
Depreciation and amortization	18,589,810	15,441,286
Selling, general and administrative expenses	25,627,727	20,757,751
Provision for supplemental compensation	104,625	---
	$313,948,229	**$231,052,259**

Notes to Consolidated Financial Statements

Note 6—Property, plant and equipment are stated at cost. This investment together with related reserves are set forth below:

	Cost	Accumulated Depreciation and Amortization
Land	$ 5,467,781	$ ---
Property under construction	22,131,087	---
Buildings	15,587,072	5,828,480
Construction equipment	233,156,418	90,911,315
Transportation equipment	6,445,725	3,682,530
Other equipment	5,875,421	2,841,888
	$288,663,504	**$103,264,213**

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%
Construction equipment	5% to 50%
Transportation equipment	20% to 50%
Furniture and fixtures	10% to 33⅓%

OHIO FERRO-ALLOYS CORPORATION (DEC)

Balance Sheet

PROPERTY, PLANT AND EQUIPMENT–NOTES A AND E	
Land and land improvements	$ 462,487
Buildings	5,424,970
Leaseholds	54,914
Machinery and equipment	32,861,929
Construction in progress	89,753
	38,894,053
Less allowances for depreciation and amortization	19,550,465
	19,343,588
Funds held by trustee for future expansion–Note B	820,966
	20,164,554
LONG-TERM LIABILITY	
Liability to Ohio Air Quality Development Authority – Note B	$1,500,000
Less portion classified as current	120,000
	$1,380,000

Income Statements

COSTS AND EXPENSES	
Cost of products sold	$46,741,159
Selling, administrative and general expenses	1,946,756
Provisions for depreciation and amortization	2,181,333
Interest charges	138,993
Other deductions	30,719
Total Costs and Expenses	**$51,038,960**

Note A (in part): Property and Depreciation—Property, plant and equipment are stated at cost less accumulated depreciation and amortization. The Corporation uses the straight-line method of depreciation and amortization for financial statement purposes. For tax purposes accelerated methods (principally declining balance) are used and provision is made for deferred income taxes.

Maintenance and repairs are charged to income as incurred and renewals and betterments are capitalized. Upon normal retirement or replacement, the cost of property is removed from the asset and related depreciation accounts with no effect on income. Gains or losses from extra-ordinary retirements or sales are included in income currently.

Note B—In 1972, The Ohio Air Quality Development Authority issued $1,500,000 of Air Quality Revenue bonds (principal maturing December 1, of each year at variable amounts from $120,000 in 1973 to $185,000 in 1982, with interest beginning at 3.75% and progressing to 5.40% for 1982 maturities) to provide for the expansion of air pollution control facilities at the Corporation's Powhatan, Ohio plant. At December 31, 1972, $705,088 had been disbursed for the construction of such facilities while $820,967 of undisbursed funds are held by the Trustee. The Corporation leases the facilities for an annual amount sufficient to pay the principal amount maturing and the interest expense on the bonds. The cost of the facilities to date is included in property, plant and equipment and will be increased when funds held by the Trustee are expended. The Corporation has treated this transaction as a loan for both accounting and tax purposes.

Note E—Production was halted at the Corporation's Tacoma, Washington plant on October 31, 1972, as a result of high inventory levels and poor market conditions. This plant, built in 1940, is located on 28 acres of prime industrial land, and is on the books at a net value of $1,075,485. At the date of this report no decision had been made whether this plant will be reopened or sold. If this plant is closed, in addition to normal closing costs, the Corporation would have a maximum estimated future liability for the following items not recorded on the books.

Employees' vacation pay	$ 57,000
Past service costs of pension plan	40,000
Penalty clause in power contract which continues through February, 1974	198,000

OLIN CORPORATION (DEC)

Consolidated Balance Sheets

	1972	1971
	($ thousands)	
PROPERTY, PLANT AND EQUIPMENT:		
Cost	$1,029,313	$1,085,266
Less accumulated depreciation, depletion and amortization	512,828	491,339
	$ 516,485	**$ 593,927**

Statements of Consolidated Changes in Financial Position

WORKING CAPITAL PROVIDED FROM:		
Operations:		
Income from continuing operations	$36,837	$28,744
Charges (credits) not requiring working capital:		
Depreciation, depletion and amortization	50,798	46,679
Provision for deferred income taxes	3,402	4,544
Loss on normal dispositions of property, plant and equipment	1,231	1,844
Equity in net income of Olin-American, Inc., less dividends received	(2,024)	(1,960)
Total working capital from continuing operations	**90,244**	**79,851**
Working capital from aluminum operations to be discontinued	(1,910)	1,386
Total working capital from operations	**$88,334**	**$81,237**

Statement of Accounting Policies

Property, Plant and Equipment—Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Depletion of timber is computed on the unit cost by tract method using a log-scale production basis. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is less.

Startup costs are expensed as incurred. Maintenance and repairs are charged to operations; significant betterments are capitalized.

Financial Review

Property, Plant and Equipment— The major classes of property, plant and equipment, at cost, are as follows:

	1972	1971
	(000 omitted)	
Land and improvements to land	$ 41,218	$ 45,537
Timber and timberlands	47,279	45,320
Building and building equipment	177,378	205,248
Machinery and equipment	666,751	725,994
Leasehold improvements	11,843	11,325
Construction in progress	84,844	51,842
	$1,029,313	**$1,085,266**

Breakdown by Function

AMERICAN METAL CLIMAX, INC. (DEC)

Consolidated Statement of Financial Position

Property, plant, and equipment, at cost, less accumulated depreciation and depletion (Note 10)	$690,850,000	$604,190,000

Consolidated Statement of Current and Retained Earnings

Cost of sales, exclusive of items shown separately	$660,200,000	$586,540,000
Depreciation and depletion	42,170,000	38,440,000
Selling and general expenses	59,360,000	55,020,000
Taxes other than Federal and foreign income taxes	16,830,000	16,480,000
Total costs applicable to sales	**$778,560,000**	**$696,480,000**

Note 1 (in part): Summary of Significant Accounting Policies— Property, Plant, and Equipment— Property accounts are carried at cost. Maintenance and repairs are charged to earnings as incurred. Expenditures for major betterments are capitalized. Gain or loss on retirement of property is included in earnings.

Mine Development Expenditures— Expenditures for mine development are deferred and amortized ratably over production.

Depreciation and depletion— Depreciation and depletion are computed primarily on the straight-line and unit of production methods, respectively.

Note10: Property, Plant, and Equipment—

	1972	1971
Mining properties and milling plants	$ 479,540,000	$444,710,000
Smelters and refineries	182,500,000	174,350,000
Metal fabricating plants	107,420,000	101,350,000
Oil and gas properties	15,190,000	11,460,000
Chemical plant	--	10,970,000
Miscellaneous property and equipment	42,500,000	29,490,000
Construction in progress	194,670,000	144,560,000
Total cost	**1,021,870,000**	**917,340,000**
Less accumulated depreciation and depletion	331,020,000	313,150,000
Net value book	**$ 690,850,000**	**$604,190,000**

POTLATCH FORESTS, INC. (DEC)

Consolidated Balance Sheets

Land, other than timberlands	$ 5,843,011	$ 5,749,917
Buildings and equipment, at cost, less accumulated depreciation ($157,643,014 in 1972; $149,915,559 in 1971) (note 3)	173,813,710	158,615,519

Summary of Principal Accounting Policies

Depreciation, Cost Depletion and Amortization (in part)— Depreciation of buildings, equipment and other depreciable assets is provided generally on the straight-line method at rates based on estimated useful lives of the property. In a few instances the unit-of-production method is used.

Notes to Consolidated Financial Statements

Note 3: Depreciable Assets— Buildings, machinery, etc. are summarized as follows:

	1972	1971
Lumber, plywood, and other wood products facilities	$ 72,008,963	$ 72,865,192
Pulp, paper, and paperboard facilities	169,379,474	157,743,150
Paper and paperboard converting facilities	50,459,058	44,113,791
Other properties, including logging equipment and railroad facilities.	22,301,964	21,844,870
Construction in progress	17,307,265	11,964,075
	$331,465,724	**$308,531,078**

Authorized but unexpended appropriations for property additions and improvements amounted to approximately $24,500,000 at December 31, 1972.

Depreciation charged to income in 1972 amounted to $14,167,067 ($14,399,579 in 1971).

QUAKER STATE OIL REFINING CORPORATION (DEC)

Consolidated Balance Sheet

	1972	1971
PROPERTY (NOTE 3):		
Buildings, equipment and production properties	135,138,671	79,004,947
Less accumulated depreciation and depletion	54,063,378	47,734,447
	81,075,293	**31,270,500**
Construction work in progress	3,273,798	43,498,236
Land	3,333,910	3,225,036
	87,683,001	**77,993,772**
	$147,949,547	$131,129,008

Statement of Consolidated Income and Retained Earnings

COSTS AND EXPENSES:		
Cost of sales and operating costs	109,949,762	$ 93,408,876
Selling, administrative and general	22,430,813	19,595,117
Depreciation and depletion	6,764,004	4,596,100
Interest	1,858,562	672,306
Income taxes, including deferred taxes: 1972, $3,307,000; 1971, $2,940,000	12,600,000	12,950,000
	$153,603,141	**$131,222,399**

Notes to Financial Statements

Note 1 (in part): Property— Costs of buildings and equipment are generally charged against income over the guideline lives of assets by application of the composite basis of computing depreciation using straight-line method. Costs of oil and gas production properties are amortized by the unit-of-production method. Repairs and maintenance, which are not considered betterments and do not extend the useful life of property, are charged to expense as incurred.

Development costs of non-productive properties and all exploration costs are charged to expense as incurred. Development costs of productive oil and gas properties are capitalized. The unamortized costs of oil and gas properties determined to be uneconomical are charged to expense when abandoned.

Note 3: Major classes of property, including land and construction work in progress, which are carried at cost, are detailed below:

	1972	1971
Production	$ 40,401,479	$ 34,054,631
Refining	71,748,015	65,668,739
Marketing	19,652,739	17,523,620
Transportation	4,199,812	3,734,190
Non-petroleum operations	2,351,264	2,201,582
Other	3,393,070	2,545,457
	$141,746,379	**$125,728,219**

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

Consolidated Balance Sheet

	1972	1971
	($ thousands)	
PROPERTY, PLANT, AND EQUIPMENT (NET) – NOTE B	$1,128,890	$1,169,225

Consolidated Income Statement

COSTS AND EXPENSES		
Depreciation and depletion	$70,876	$72,742

Note A (in part): Depreciation and Depletion— Depreciation of property, plant, and equipment, except for that associated with oil and gas production, mine development costs, mineral lands, and leaseholds, is provided substantially by the straight-line method at rates calculated to extinguish the cost over estimated useful lives which are periodically reviewed and revised based on experience. Depletion and depreciation of producing oil and gas properties and depletion of mine development costs, mineral lands, and leaseholds are computed for each field or mine at rates applied to the units of production on the basis of estimated proved recoverable oil, gas and coal reserves. Undeveloped leasehold costs are amortized at rates based on experience, other than as to Alaska where no amortization is being provided until production commences.

Note B—Property, Plant and Equipment—on the basis of cost

	1972	1971
	($ thousands)	
Petroleum		
Production	$ 424,284	$ 462,440
Refining	377,967	378,252
Marketing	465,415	466,182
Transportation	177,881	155,900
Coal	93,089	77,097
Chemicals	88,553	87,100
Plastics	26,667	24,675
Other	15,913	54,391
	1,669,769	**1,706,037**
Less accumulated depreciation and depletion	540,879	536,812
	$1,128,890	**$1,169,225**

UV INDUSTRIES, INC. (DEC)

Consolidated Balance Sheets

PROPERTIES, PLANTS AND EQUIPMENT, AT COST (NOTE 6)	$233,128,038
Less, accumulated depreciation, depletion and amortization and reserve for losses on capital assets	96,556,696
	$136,571,342

Consolidated Statements of Changes in Financial Position

SOURCE OF WORKING CAPITAL:	
Income before extraordinary items	$11,053,640
Elements not requiring (providing) working capital:	
Minority interests in earnings of subsidiaries	1,619,809
Depreciation, depletion and amortization	7,451,639
Provision for deferred income taxes	2,878,639
Other non-cash items	679,682
Working capital provided from operations	**$23,683,409**

Notes to Consolidated Financial Statements

Note 1 (in part): Depreciation, depletion and amortization—Depreciation, depletion and amortization for mining and oil and gas operations are computed generally using the unit of production method. All other operations use the straight line method of depreciation based upon the estimated lives of specific classes or groups of depreciable assets.

Note 6: Properties, Plants and Equipment—The major classification of properties, plants and equipment at December 31, 1972 were as follows:

		($ thousands)
Depreciable properties:		
Manufacturing plants and equipment*		$119,212
Mine buildings and equipment and oil and gas equipment		32,800
Mills and equipment		30,765
Other		7,208
Depletable mining properties and oil and gas interests		29,737
Amortizable oil and gas well intangible drilling costs		4,670
Other capital assets		8.736
		233,128
Less, Accumulated depreciation	$81,012	
Accumulated depletion and amortization	12,019	
Reserve for losses on capital assets	3,526	96,557
		$136,571

*Includes an aggregate of $38,000,000, related to capitalized leases.

Property Valuation Allowances

GENERAL REFRACTORIES COMPANY (DEC)

Consolidated Balance Sheets

	1972	1971
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land	$ 2,868,000	$ 3,161,000
Minerals lands	4,720,000	4,818,000
Buildings	52,905,000	52,329,000
Machinery and equipment	132,847,000	126,976,000
	193,330,000	**187,284,000**
Less accumulated depreciation and depletion (including allowance for loss on abandonment and write-down of $10,749,000 in 1972 and $11,004,000 in 1971)	125,062,000	119.172,000
	$ 68,278,000	**$ 68,112,000**

Notes to Financial Statements

Note 1 (in part): Property, Plant and Equipment—Property, plant and equipment are carried at cost. Renewals and betterments are charged to the reserve for depreciation or capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation and Depletion—For financial reporting purposes, depreciation is provided principally on a straight-line basis by periodic charges to operations over the estimated useful life of each particular asset. Depletion is computed based on the estimated recoverable tonnages and respective costs of the various properties.

INVESTMENTS IN VOTING STOCK OF INVESTEE COMPANIES

ARB No. 51, as amended by *APB 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." *APB Opinion No. 18*, extended the required use of the equity method to investments in foreign subsidiaries, investments in corporate joint ventures, and, under specified circumstances, investments in less than 50% owned domestic companies. Accounting for the tax effect of undistributed earnings of an investee company is discussed in *APB Opinion No. 23* and *APB Opinion No. 24*, both of which were issued in April 1972 and were effective for fiscal periods beginning after December 31, 1971.

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 3-24 summarizes the income statement presentation of such investments.

Opinion No. 18 sets forth procedures to be followed and disclosures to be made by an investor in applying the equity method. Examples of such disclosures follow.

TABLE 2-23: UNCONSOLIDATED SUBSIDIARIES – VALUATION

Domestic and Canadian	1972	1971	1970	1969
Equity in net assets	80	80	88	76
Cost plus equity in accumulated earnings	80	72	43	38
Other, or basis not set forth	26	37	57	43
Subtotal	**186**	**189**	**188**	**157**
Foreign (excluding Canada):				
Equity in net assets	43	45	42	42
Cost plus equity in accumulated earnings	48	44	29	30
Cost (or substantially at cost)	26	49	64	58
Other, or basis not set forth	12	20	24	35
Subtotal	**129**	**158**	**159**	**165**
Total Presentations	**315**	**347**	**347**	**322**
Number of Companies				
With investment account for unconsolidated subsidiaries	234	241	259	239
With no such account	366	359	341	361
Total	**600**	**600**	**600**	**600**

TABLE 2-24: 50% OWNED COMPANIES – VALUATION

Domestic and Canadian:	1972	1971	1970	1969
Equity in net assets	18	32	32	34
Cost plus equity in accumulated earnings	43	45	31	26
Cost (or substantially at cost)	4	9	28	30
Other, or basis of valuation not set forth	1	8	14	15
Subtotal	**66**	**94**	**105**	**105**
Foreign (excluding Canada):				
Equity in net assets	11	13	24	25
Cost plus equity in accumulated earnings	33	35	18	24
Cost (or sut stantially at cost)	–	7	19	35
Other, or basis of valuation not set forth	1	6	6	15
Subtotal	**45**	**61**	**67**	**99**
Total Presentations	**111**	**155**	**172**	**204**
Number of Companies				
With investment account for 50%-owned companies	101	121	132	144
With no such account	499	479	468	456
Total	**600**	**600**	**600**	**600**

AMERICAN SMELTING AND REFINING COMPANY (DEC)

Consolidated Balance Sheet

	1972	1971
	($ thousands)	
'nvestments in Non-consolidated Associated Companies (note 3)	$245,373	$230,332
Investments–Other (at cost or less, note 3)	39,453	39,540
Consolidated Statement of Earnings		
Sales of Products and Services	$814,345	$656,757
Costs of Products and Services–exclusive of items deducted separately below	732,776	598,914
	81,569	**57,843**
Equity in Earnings of Non-Consolidated Associated Companies (note 3)	34,085	37,438
Dividends, Interest and Miscellaneous Income	4,628	6,444
	$120,282	**$101,725**

Note 3: Investments—In 1971, a new Peruvian mining law provided among other things, that workers of the mining companies, through "Mining Communities," must be given increasing participation in profits and ownership (eventually to 50%) of mining enterprises. The Company's equity investment in Southern Peru Copper Corporation and the net assets in Peru of the Company's wholly-owned subsidiary, Northern Peru Mining Corporation, amounted to $106,757,000 and $8,871,000, respectively, at December 31, 1972. The Company believes the legislation will not have an adverse effect on the value of its investments in Peru.

Under a bilateral agreement with the Peruvian Government, Southern Peru is developing the Cuajone ore body and constructing ancillary facilities. The completed cost of this project is estimated to be approximately $500 million of which $83 million had been invested at December 31, 1972. Efforts to arrange financing to assure completion of this project are continuing.

Under a work program submitted to the Government in June 1972, Southern Peru is obligated to expend or commit $47.6 million during 1973 and has current construction plans to meet this requirement.

The bilateral agreement requires minimum annual expenditures and the entire project must be completed by June 1976 but may be extended by any additional time available by reason of force majeure. The bilateral agreement provides that failure to maintain the investment program or complete the project as scheduled, in the absence of force majeure, will result in termination of the concession for the Cuajone mine.

Dividends aggregating $18,900,000 (1971—$31,000,000) were received in 1972 from all companies accounted for by the equity method.

TABLE 2-26: INVESTMENTS IN INVESTEE COMPANIES

Balance Sheet Description	1972	1971	1970	1969
Investments in (*3. 166, 519)	191	180	193	192
Investments in and advances to (*101, 221, 705)	109	118	125	119
Investments combined with other terms (*183, 452, 465)	21	20	7	7
Securities (*197, 539, 574)	9	9	16	14
Equity in net assets (*153, 278, 368)	31	21	15	17
Other	13	12	12	21
Included in other assets (*259, 395, 560)	17	19	9	16
Total Presentations	**391**	**379**	**377**	**386**
Number of Companies				
Referring to investee companies	348	353	350	357
Not so referring	252	247	250	243
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

The excess of the Company's investment over equity in the 1971 net assets of Asarco Mexicana, S.A., about $3,500,000, which arose prior to November 1970, is considered to have a continuing value and is not being amortized. The difference between the Company's equity in the net assets of M.I.M. Holdings Limited, at December 31, 1972, and the carrying value of the investment is due primarily to the revaluation of Australian currency at the end of 1972. The difference has not been recognized in the financial statements. The carrying value ot all other investments accounted for by the equity method was approximately the same as the Company's equity in their net assets.

TABLE 2-25: OTHER UNCONSOLIDATED COMPANIES — VALUATION

Domestic and Canadian:	1972	1971	1970	1969
Equity in net assets	74	51	30	16
Cost plus equity in accumulated earnings	95	39		
Cost (or substantially at cost)	21	49	98	99
Valuation basis not set forth	3	8	14	17
Subtotal	**193**	**147**	**142**	**132**
Foreign (excluding Canada):				
Equity in net assets	37	39	—	—
Cost plus equity in accumulated earnings	53	34	9	16
Cost (or substantially at cost)	16	37	75	81
Valuation basis not set forth	1	6	14	25
Subtotal	**107**	**116**	**98**	**122**
Total Presentations	**300**	**263**	**240**	**254**
Number of Companies				
With investment account for less than 50% owned companies	228	192	188	187
With no such account	372	408	412	413
Total	**600**	**600**	**600**	**600**

The Company has a 33.4% interest in Revere Copper & Brass Incorporated which it carries at cost, $8,511,000. Under a consent decree with the U.S. Department of Justice entered into in March 1967, among other things, the Company and Revere were prohibited from having a director or officer who was at the same time a director or officer or employee of the other, and the Company was, in effect, prohibited from voting its stock except in very limited circumstances, and from participating in the determination of the business policies or practices of Revere. In March 1972, in accordance with the terms of the decree and on application of the Company, the decree was terminated and the action dismissed without prejudice.

Since the termination of the consent decree, the Company has not attempted to exercise any influence over Revere. Asarco is presently studying its future course of action with respect to its investment in Revere, which action might include taking an active role in the policies of Revere and/or increasing, decreasing or eliminating its present holdings. Until a course of action is decided, it cannot be determined whether the Company will have the ability to significantly influence Revere or whether such ability would continue other than on a temporary basis. Accordingly, the Company believes it is not appropriate at this time to adopt equity accounting for its investment in Revere and continues to carry this investment on the basis of cost.

At December 31, 1972 the Company's share of Revere's underlying equity amounted to approximately $50,000,000 and the quoted market value for this Common Stock investment was approximately $16,900,000 (approximately the same on February 23, 1973). The Company's share of Revere's net loss for 1972 after providing for dividends on Revere's Preferred Stock was about $3,200,000, including the Company's equity of approximately $2,900,000 in Revere's write-off of costs associated with a new Jamaican alumina plant.

Except for the Company's investment in Revere Copper & Brass Incorporated, no significant investment of 20% or more is held in equity securities not accounted for by the equity method. No investment held of less than 20% in equity securities is accounted for by the equity methods.

Tax accrual under APB Opinion No. 23 has not been made because the undistributed earnings of subsidiaries and of corporate joint ventures, accounted for by the equity method, have been reinvested, will continue to be reinvested indefinitely, and no remittance of such earnings to Asarco is foreseen. At December 31, 1972 the cumulative amount of equity in such undistributed earnings on which income tax has not been recognized is $174,200,000.

Investments—Other, at December 31, 1972, includes securities carried at a book value of $35,200,000 which had a quoted market value of $36,500,000.

MAJOR INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

($ thousands)					1972	1971
Name	Total Assets	Total Liabilities	Equity in Net Assets	Amount at Which Carried	Equity in Earnings	
M.I.M. Holdings Limited (Australia–52.7%)	$395,300	$211,100	$ 97,000	$ 94,400	$15,660	$20,850
Southern Peru Copper Corporation (Peru–51.5%)	268,900	60,000	107,600	106,700	13,940	13,490
Asarco Mexicana, S.A.* (Mexico–49%)	128,400	65,200	30,800	34,300	2,970**	8,130**

*Figures are for 1971 as regulations in Mexico prohibit publication of current year's data before they have been approved by shareholders.

**Equity in earnings is for 1971 and 1970.

BOISE CASCADE CORPORATION (DEC)

Balance Sheets

	1972	1971
	($ thousands)	
Investment in joint ventures and affiliated companies (Notes 1 and 5)	$59,966	$51,354

Note 1 (in part): Summary of Significant Accounting Policies—Consolidation—The financial statements include the accounts of the Company and all subsidiaries in which it holds a majority interest. For investments in which less than a majority interest is held, but in which management control or significant influence exists, the investment is carried at cost adjusted to recognize the Company's and its subsidiaries' share of earnings or losses from the respective dates of acquisition. The equity in earnings is included in "Interest and other income" in the statements of income. The investment is reduced when dividends are received. Other investments are carried at cost unless a permanent decline in value is deemed to have occured. At December 31, 1972, the carrying amount of investments in joint ventures and affiliated companies, other investments and consolidated subsidiaries exceeded underlying book value by $13,040,000. Substantially all of this amount is being amortized over periods not exceeding 40 years.

Note 5: Investments in Joint Ventures and Affiliated Companies—The Company, through a wholly-owned subsidiary, has a 50% interest in an unincorporated joint venture, Boise Southern Company, which is engaged in the wood products and paper manufacturing business in Louisiana and Texas. Long-term financing of the paper mill facilities was provided directly to Boise Southern Company by outside sources under a sale and lease-back agreement. The Company has guaranteed 50% of the lease payments for these facilities, which approximate $8,210,000 annually through 1993. In addition, the Company has guaranteed annual lease payments of $2,468,000 through 1991 for certain timberlands leased by Boise Southern, and has an indemnification agreement with the co-venturer, Southern National Gas Company, for 50% of this guarantee.

The Company also has a 50% interest in Miramichi Timber Resources, Ltd. which operates a market pulp mill producing bleached and unbleached pulp for export. Long-term contracts provide for the sale of certain of the output to the corporations owning the other 50% of the operation. In 1972 these corporations purchased approximately 50% of the output.

In addition to the two ventures described above, the Company, through another wholly-owned subsidiary, has a 50% interest in Duropack Neusiedler-Wiener Wellpappe Gesellschaft mbH, a company engaged in the corrugated container business in Austria. The Company also is co-venturer with Chevron Land and Development Co., a subsidiary of Standard Oil of California, in Sepulveda Properties, Inc., a firm engaged in the development of commercial property in El Segundo, California. In conjunction with the latter venture, the Company has guaranteed approximately $1,000,000 of annual payments under a "lease of convenience."

Financial information related to these investments for the years ended December 31, 1972 and 1971 is as follows (Boise Southern Company is audited by auditors other than Arthur Andersen & Co.):

Summary of Financial Condition of Joint Ventures and Affiliated Companies

	Year Ended December 31				
	1972				1971
	Boise Southern Company	Miramichi Timber Resources, Ltd.	Other	Combined	
	($ thousands)				
Assets					
Current assets	$ 13,080	$13,128	$ 5,171	$ 31,379	$ 32,958
Property and equipment, net	99,756	36,465	25,113	161,334	167,338
Timber and timberlands	79,840	8,026	--	87,866	91,404
Other assets	21,066	69	820	21,955	22,498
	$213,742	**$ 57,688**	**$ 31,104**	**$302,534**	**$314,198**
Liabilities					
Current liabilities	$ 17,758	$ 11,984	$ 4,191	$ 33,933	$ 26,114
Long-term debt	132,344	47,735	16,711	196,790	216,587
Equity	63,640	(2,031)	10,202	71,811	71,497
	$213,742	**$ 57,688**	**$ 31,104**	**$302,534**	**$314,198**
Boise Cascade Investment	**$ 38,444**	***$ 16,393**	**$ 5,129**	**$ 59,966**	***$ 51,354**
Summary of Operating Results of Joint Ventures and Affiliated Companies					
Sales	$ 60,088	$ 27,692	$ 31,061	$118,833	$ 86,355
Costs and expenses	37,592	28,404	29,644	95,640	67,311
Depreciation and depletion	10,034	2,360	404	12,798	12,061
Interest expense	6,620	3,719	--	10,339	9,496
Income taxes	--	--	10	10	189
Net income (loss)	**$ 5,834**	**$ (6,791)**	**$ 1,303**	**$ 46**	**$ (2,702)**
Boise Cascade Equity in Earnings (loss)	$ 2,917	$ (3,460)	$ 501	$ (42)	$ (1,612)

The Company includes as part of its tax provision, income taxes attributable to the equity in earnings of joint ventures and affiliated companies except for Miramichi Timber Resources, Ltd., which has sustained operating losses. The Company has not recorded any tax benefits that may arise from these losses. Boise Southern Company is an unincorporated joint venture and as such does not provide income taxes on its net income. Boise Southern Company has included in its net income the after-tax income from 50% owned incorporated businesses.

*Includes notes receivable of $17,400,000 and $8,360,000.

CURTISS-WRIGHT CORPORATION (DEC)

Consolidated Balance Sheets

	1972	1971
Investment in and loan to affiliate	$4,459,000	$5,965,000

Consolidated Statements of Earnings

COSTS AND EXPENSES:		
Product and engineering	$203,795,000	$213,440,000
Selling and service	13,093,000	13,338,000
Administrative and general	20,247,000	20,711,000
Interest	978,000	2,024,000
Minority interest in net income of subsidiaries	1,247,000	1,056,000
Equity in net loss of affiliate before extraordinary item	491,000	775,000
	$239,851,000	**$251,344,000**

Notes to Financial Statements

Note 5: Investment in and loan to Affiliate— At December 31, 1972, the Corporation's $4,459,000 investment in and loan to affiliate comprises 241,341 shares (or 18.7%) of common stock of Lynch Corporation (a publicly owned corporation), warrants to purchase 500,000 shares of Lynch common stock at $11.00 per share (subject to adjustment) until October, 1976 and $3,800,000 principal amount of Lynch's 3⅞% Convertible Notes payable in $250,000 semi-annual installments with the balance of $2,050,000 due in 1976 and convertible into Lynch common stock at $11.00 per share (subject to adjustment). Under Securities and Exchange Commission regulations, registration of these 241,341 Lynch Corporation shares may, under certain circumstances, be required were the Corporation to dispose of such shares. The last reported sale price of Lynch Corporation common stock on March 21, 1973 was $2.25 per share.

A majority of the present directors of Lynch are persons designated by or acceptable to the Corporation. As a result of the foregoing, the Corporation has the ability to exercise significant influence over Lynch. Accordingly, the equity method of accounting for the Corporation's investment in Lynch has been adopted by the Corporation.

The adoption, beginning in 1972, of the equity method of accounting for this investment has been reflected by restating the Corporation's 1971 financial statements and appropriately adjusting financial statements of years prior to 1971. The effects of the restatement on the 1971 financial statements were reductions of a) net earnings and net earnings per share by $775,000 and $.10, respectively, b) retained earnings at December 31, 1970 by $138,000 and c) investment in and loan to affiliate by $913,000.

Financial data pertinent to Lynch Corporation for the years ended December 31, 1972 and 1971 are summarized below:

	1972	1971
Sales*	$ 7,035,000	$ 8,359,000
Loss from continuing operations	748,000	719,000
Net loss	5,420,000	4,136,000
Total assets	11,353,000	20,447,000
Working capital	4,511,000	9,408,000
Stockholders' equity	3,397,000	8,817,000

*After elimination of sales attributable to discontinued operations.

Lynch's 1972 annual report discloses that the operations of one of its subsidiaries were discontinued during the year. In this connection, Lynch management has provided for an extraordinary loss of $2,800,000 which is expected to be sustained in connection with the disposition of the subsidiary's inventories, plant and equipment, accounts receivable, other assets and closing costs. Management of Lynch believes that all known and anticipated losses and costs have been provided for; however, the ultimate realization from the liquidation of the remaining assets of the subsidiary is not subject to final determination at the present time. Lynch's Auditors have qualified their opinion of the fair presentation of that corporation's financial statements subject to the ultimate resolution of the uncertainty described above.

The Corporation believes that the continuing operations of Lynch have sufficient prospect to enable Lynch to be viable and honor its debts. Accordingly, the Corporation does not feel that provision for loss in excess of that recorded on the equity basis is presently warranted.

THE DIVERSEY CORPORATION (DEC)

Consolidated Balance Sheet

	1972	1971
INVESTMENTS AND OTHER ASSETS:		
Investments in 50%-owned joint ventures (cost—$131,000) (Note 4)	$1,797,000	$1,562,000

Consolidated Statement of Income and Retained Earnings

INCOME:		
Net sales	$58,843,000	$52,792,000
Miscellaneous	214,000	143,000
	59,057,000	**52,935,000**
COSTS AND EXPENSES:		
Material, labor and manufacturing	27,778,000	25,400,000
Selling, general and administrative	26,130,000	23,673,000
Research and development	778,000	608,000
Laboratory services	193,000	207,000
Interest	617,000	640,000
Minority interest in net income of subsidiaries	158,000	84,000
Exchange loss (gain)	10,000	(6,000)
Provision for income taxes (Note 6)	1,896,000	1,197,000
	57,560,000	**51,803,000**
	1,497,000	1,132,000
Equity in income of 50%-owned joint ventures (Note 4)	361,000	308,000
Income before extraordinary items	**$ 1,858,000**	**$ 1,440,000**

Note 4: Investments in 50%-owned joint ventures— Diversey and subsidiaries have 50% investments in two joint ventures which are carried at equity in underlying net assets. These companies are principally engaged in the same line of business as the consolidated group, and their assets, liabilities and results of operations

(substantially all amounts are applicable to Diversey-France S.A., and its subsidiaries) are summarized (in thousands of dollars) as follows:

	1972	1971
Current assets:		
Cash and receivables	$2,762	$2,370
Inventories	938	811
Other	46	55
	3,746	**3,236**
Other assets	99	102
Property, plant and equipment (net)	1,529	1,503
Total Assets	**$5,374**	**$4,841**
Current liabilities:		
Bank loans and current portion of long-term debt	$ 117	$ 97
Accounts payable	1,028	1,060
Accrued liabilities and other	581	412
	1,726	**1,569**
Long-term debt	--	95
Stockholders' equity	3,648	3,177
Total Liabilities and Stockholders' Equity	**$5,374**	**$4,841**
Net sales	$9,725	$8,131
Less: Material, labor and manufacturing expenses	3,355	2,999
Selling, general and administrative expenses	5,083	3,946
Other expenses	27	97
Provision for income taxes	538	474
	9,003	7,516
Income before extraordinary credit	**722**	**615**
Translation gain from devaluation of United States dollar	–	73
Net income for the year	**$ 722**	**$ 688**

ESB INCORPORATED (MAR)

Consolidated Statements of Financial Position

	1973	1972
	($ thousands)	
OTHER ASSETS AND LIABILITIES, NET:		
Investments in and advances to partially-owned companies	$14,678	$11,511
Long-term trade receivables	2,426	1,605
Industrial revenue bond funds held by trustee	791	3,707
Property, plant and equipment, at cost, net of accumulated depreciation	72,915	68,666
Other assets	2,863	2,366
Long-term debt, net of current maturities	(54,171)	(54,404)
Deferred income taxes	(3,746)	(3,449)
Minority interests	(634)	(526)
Total other assets and liabilities, net	**$35,122**	**$29,476**

Consolidated Statements of Income

COSTS, EXPENSES AND (OTHER INCOME):		
Cost of sales	$281,573	$250,805
Selling, administrative and general expenses	63,065	58,165
Interest expense	3,989	3,414
Equity in net income of partially-owned companies	(3,031)	(1,895)
Royalties	(570)	(617)
Other, net	154	1,120
	$345,180	**$310,992**

Notes to Consolidated Financial Statements

Accounting Policies (in part): Principles of Consolidation— The consolidated financial statements include the accounts of ESB and its subsidiaries. Investments in partially-owned companies in which ownership is 50 percent or less but more than 20 percent are stated as ESB's equity in their net assets.

Investments in Partially-Owned Companies

At March 31, 1973 investments in partially-owned companies consisted of:

	Location	Percentage of Common Stock Ownership
Sherkat Shami Electric Storage Battery Iran	Iran	50%
Toshiba Ray-O-Vac K.K.	Japan	50%
Microlite S.A.	Brazil	33⅓%
Others	Various	50% or less

A summary of the combined financial position and results of operations of these companies, the major portion of which is outside the U.S., is as follows: ($ thousands);

	1973	1972
Current assets	$43,614	$33,017
Current liabilities	(18,271)	(14,702)
Other assets/liabilities, net	10,144	10,727
Net assets	**$35,487**	**$29,042**
ESB's share of net assets	$14,678	$11,511
Net sales	$72,840	$61,590
Net income	$ 8,190	$ 5,493
ESB's share of net income	$ 3,031	$ 1,895

ELTRA CORPORATION (SEP)

Consolidated Balance Sheet

INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES NOT CONSOLIDATED	
Equipment leasing and finance companies	$19,128,997

Consolidated Statement of Income

SALES AND OTHER INCOME	
Net sales	$583,400,616
Equity in earnings of equipment leasing and finance companies	1,589,220
Other income	5,481,647
	$590,471,483

Supplemental Financial Information

Equipment Leasing and Finance Companies—Summarized below is condensed combined financial information of the wholly owned domestic equipment leasing company, Equilease Corporation (including all its wholly-owned subsidiaries) and a small European finance subsidiary, which are carried by the Corporation at equity.

Condensed Financial Position

ASSETS:	
Receivables on equipment leasing and financing contracts	$164,862,231
Less—Unearned income and allowance for losses	(34,130,263)
Segregated non-recourse borrowings	(29,264,325)
	101,467,643
Cash and certificates of deposit	13,506,708
Accrued earned residuals	2,306,106
Other	1,558,532
Total assets	**118,838,989**
LIABILITIES TO OTHERS:	
Accounts payable	6,237,722
Senior notes 7¾% due 1975 to 1984	5,000,000
Subordinated debt 7 to 9% due 1973—1982	2,100,000
Notes payable to banks, principally short-term, partly secured	86,032,872
Deferred income tax credit	158,986
Total	**99,529,580**
Net assets attributable to the Corporation's investments and advances	**$ 19,309,409**

Condensed Statement of Income

Leasing and other income (including amortization of investment tax credits of $442,317 in 1972)	$ 16,180,669
Selling, administrative and other operating expenses	7,891,193
Interest expense	5,634,628
Provision for income taxes	1,065,628
Total expenses	**14,591,449**
Net income	**$ 1,589,220**

Condensed Statement of Changes in Financial Position

FINANCIAL RESOURCES PROVIDED BY	
Operations	
Net income	$ 1,589,220
Expenses not involving cash	2,908,480
Rental and residual receipts	53,265,681
Notes payable—net	32,111,208
Other	2,145,466
	92,020,055
FINANCIAL RESOURCES USED FOR	
Cost of lease equipment	87,751,954
Other	2,207,271
	89,959,225
Increase in cash	**$ 2,060,830**

The leasing companies use the "finance method" of accounting for its leasing contracts whereby aggregate rental payments are recorded as a receivable and income is recognized over the period of the lease in a manner which provides for an approximate level rate of return on the unrecovered lease receivable. A portion of unearned income is applied initially to offset selling and administrative expenses incidental to consummating lease contracts.

Under terms of note agreements with various long-term lenders, among other things, Equilease Corporation is subject to certain limitations on its bank borrowings and certain of its other current liabilities.

NORTH AMERICAN ROCKWELL CORPORATION (SEP)

Consolidated Balance Sheet

	1972	1971
Investments	$111,718,000	$114,260,000

Consolidated Changes in Financial Position

RESOURCES PROVIDED BY:		
Income before extraordinary credit	$77,919,000	$66,291,000
Add (deduct) items not requiring use of working capital:		
Depreciation and amortization:		
Property	57,162,000	59,229,000
Intangibles	615,000	1,136,000
Equity in (income) or loss of unconsolidated subsidiaries and affiliated companies	(4,484,000)	233,000
Deferred income taxes, etc.	6,386,000	6,935,000
Total from operations excluding extraordinary credit	**$137,598,000**	**$133,824,000**

Notes to Financial Statements

Note 5: Investments—Investments at September 30, 1972 and 1971 are summarized as follows:

	1972	1971
Investments in and advances to unconsolidated majority-owned subsidiaries	$ 22,606,000	$ 27,286,000
Investment in Collins Radio Company	35,207,000	35,182,000
Investments in and advances to other affiliated companies	53,905,000	51,792,000
Total	**$111,718,000**	**$114,260,000**

Investments in and advances to unconsolidated majority-owned subsidiaries are carried at the Company's equity in the underlying net assets of and advances to such subsidiaries. The Company's principal unconsolidated majority-owned subsidiary is its wholly owned finance subsidiary, North American Rockwell Credit Corporation. Summary financial information for this subsidiary follows (all in thousands of dollars):

	1972	1971
Financial position at September 30:		
Installment notes receivable	$77,644	$88,920
Receivable from parent company	13,904	— — —
Other assets	3,292	3,962
Total assets	**$94,840**	**$92,882**
Notes payable (short-term commercial notes guaranteed by parent company)	$75,120	$72,200
Other liabilities	1,662	4,380
Shareowner's equity	18,058	16,302
Total liabilities and shareowner's equity	**$94,840**	**$92,882**
Operations for the period ended September 30:		
Revenues	$ 7,268	*$ 5,626
Net income	$ 1,756	*$ 1,302

*Nine-month period from inception of operations in January 1971.

The Company's investment in Collins Radio Company (Collins) represents the cost of its purchase in September 1971 of 350,000 shares of $5 cumulative convertible preferred stock and warrants to purchase shares of class A common stock of Collins. The 350,000 preferred shares, entitled in liquidation to $35,000,000 plus unpaid cumulative dividends, are convertible into 1,891,892 shares of class A common stock of Collins at an initial conversion price of $18.50 per share. Upon conversion, the Company is also entitled to receive additional shares of class A common stock of Collins equal in value (based upon the market price of common stock of Collins at the time of conversion) to the amount of any unpaid cumulative dividends on the preferred stock. At September 30, 1972, such unpaid cumulative dividends amounted to $1,895,000. The warrants, which expire on July 31, 1981, entitle the Company to purchase an additional 1,621,622 shares of class A common stock of Collins at an initial exercise price of $18.50 per share. Upon exercise of the warrants in full and assuming no additional shares of common stock of Collins are issued, the company would have approximately 54% of the total total shareholder voting power of Collins, and assuming also full conversion of the preferred stock with no dividends in arrears, 54% of the equity of Collins. One of the warrants contains provisions which assure that the Company can obtain at least 50.1% of the total shareholder voting power upon exercise of the warrants in full, regardless of the number of additional shares of common stock issued prior to such exercise. As holder of the preferred stock of Collins, the Company has the right to elect a majority of the Board of Directors of Collins.

During 1972 the Company agreed to guarantee up to $20,000,000 in borrowings by a customer of Collins which will be used to finance purchases of microwave equipment from Collins. The specific amount guaranteed will equal 60% of moneys paid to Collins for the equipment. At September 30, 1972 orders had been received by Collins for approximately $22,000,000 of the equipment, $16,000,000 of which is contingent upon receipt by Collins' customer of certain authorizations from regulatory agencies. If the Company should be required to make a payment under the guarantee and Collins' credit agreements then permit it to pay the Company the amount of the payment in cash, Collins may elect to do so. Otherwise, Collins will issue to the Company shares of $5 cumulative convertible preferred stock (or under certain circumstances a substitute for such preferred stock) and warrants to purchase class A common stock related in value to the amount of the payment.

Summary financial information of Collins and its subsidiaries, as presented in its 1972 Annual Report to Shareholders, is as follows:

Summarized Balance Sheet

	1972	1971
	(in thousands)	
Current assets	$158,687	$195,739
Property, plant, and equipment–net	116,603	141,287
Other assets	4,857	1,930
Total	**$280,147**	**$338,956**
Current liabilities	$107,145	$160,768
Long-term liabilities	125,405	99,715
Deferred income taxes	6,162	7,749
Shareholders' equity	41,435	70,724
Total	**$280,147**	**$338,956**

Summarized Income Statement

Sales	$250,416	$287,502
Cost of sales and other expenses*	315,615	339,312
Loss before income taxes and accounting change	**(65,199)**	**(51,810)**
Credit for United States and foreign income taxes	1,353	16,123
Remainder	**(63,846)**	**(35,687)**
Effect of change in accounting treatment for new product design	– – –	(10,956)
Net loss	**$(63,846)**	**$(46,643)**

*Includes abnormal provisions for loss aggregating $36,000,000 in 1972 and $29,300,000 in 1971.

In 1972, the Company adopted the equity method of accounting for all its investments in common stock of affiliated companies owned 20% or more as recommended by the Accounting Principles Board; accordingly, financial statements for 1971 have been restated to give retroactive effect to the change. Under the equity method, the Company's share of the net earnings or losses of these companies is included currently in consolidated net income, whereas, prior to 1972, only dividends as received were included in consolidated net income. As a result of this change, consolidated income before extraordinary credit increased by $2,119,000 ($.10 per share) in 1972 and decreased by $696,000 ($.03 per share) in 1971. Consolidated net income increased by $1,760,000 ($.08 per share) in 1972 and decreased by $876,000 ($.03 per share) in 1971. The unamortized intangibles resulting from these investments at September 30, 1972 and 1971 amounted to $9,518,000, and $8,685,000, respectively, and represent the excess of the carrying value of the investments over the Company's equity in the underlying net assets of the affiliates at those dates. Summary financial information for affiliated companies owned 20% or more, combined as a group, for 1972 and 1971 is as follows (all in thousands of dollars):

	1972	1971
Total assets	$153,473	$238,225
Liabilities	68,988	112,519
Stockholders' equity	84,485	115,706
Revenues	155,227	238,924
Net income	12,636	6,883

Approximately 73% at September 30, 1972 and 68% at September 30, 1971 of the total investments in and advances to affiliated companies owned 20% or more relate to foreign operations. The names and percentages of ownership of such affiliated companies at September 30, 1972 are listed below:

	Percentages of Ownership
Domestic companies:	
American Data Systems, Inc.	44.4
Electrospin Corporation	49.7
Fairfield Manufacturing Company, Inc.	34.3
Foreign companies:	
Bramber Engineering Co. Ltd.	30.0
Braseixos Rockwell, S.A.	42.6
Brasprensas Rockwell, S.A.	29.9
Howa do Brasil, S.A.	25.0
Metalurgica Carabobo, S.A.	30.0
Moligal, Limitada	40.0
Narwin, S.A.	49.9
NHK-Rockwell Co., Ltd.	50.0
Rubery-Owen Rockwell, Ltd.	50.0
Rubery-Owen Rockwell (Mfg.) Ltd.	50.0
Teleflex G.m.b.H.	48.0
Virginio Rimoldi, S.p.A.	40.0

PITNEY-BOWES, INC. (DEC)

Consolidated Balance Sheet

Investment in, and long-term loans to Pitney Bowes-Alpex, Inc.	$20,356,000

Statement of Consolidated Income

Operating income from continuing operations before equity in net loss of Pitney Bowes-Alpex, Inc.	$15,050,000
Equity in net loss of Pitney Bowes-Alpex, Inc.	1,410,000
Operating income from continuing operations	$13,640,000

Statement of Accounting Policies

Investments—Marketable securities are stated at cost, which approximates market value. The investment in Pitney Bowes-Alpex, Inc., a 50%-owned joint venture with Alpex Computer Corp., is carried at cost, adjusted to reflect the company's proportionate share of losses since October 1, 1972, when Pitney Bowes-Alpex, Inc. became operational.

Notes to Consolidated Financial Statements

Pitney Bowes-Alpex, Inc.—The company and Alpex Computer Corp. (Alpex) each have a 50% stock interest in Pitney Bowes-Alpex, Inc. (PBA). In addition to the investment of $4,500,000 in PBA's common stock, $5,000,000 subordinated debentures due April 10, 1990, and a $1,900,000 account receivable, the company, at December 31, 1972, has loaned an aggregate of $12,000,000 ($2,000,000 at December 31, 1971) to PBA. Of this amount, $6,000,000 was originally loaned under the terms of a loan agreement entered into on July 15, 1971, as amended, and was replaced by 7% notes due December 31, 1977. Payments of interest and principal are subordinated to all senior indebtedness of PBA; the loan ranks on a parity with PBA's subordinated debentures due April 10, 1990.

The remaining loan of $6,000,000, represented by senior subordinated notes, is provided under the terms of an agreement as of September 15, 1972, in which the company will loan to PBA up to $12,000,000. The loan carries interest of 1½% over the Chase Manhattan Bank prime rate and matures on December 31, 1977. The notes are senior in right of payment to all other outstanding subordinated debt securities of PBA, but subordinated to obligations to outside parties. Subsequent to December 31, 1972 the company has loaned to PBA an additional $3,900,000 under this agreement so that $9,900,000 of the $12,000,000 authorized was outstanding on February 12, 1973.

In addition to its 50% stock interest in PBA, Alpex holds $5,000,000 of subordinated debentures due April 10, 1990, and $6,000,000 of 7% notes due December 31, 1977. Alpex also has the right to purchase from the company up to 50% of the senior subordinated notes issued by PBA to the company at a price equal to the principal amount thereof plus accrued interest, which right will expire on December 31, 1973. In the event that Alpex does not exercise this right, the company will have the option to purchase additional PBA common stock, thereby obtaining controlling interest. In addition, if capital in excess of the amounts described above is needed by PBA prior to December 31, 1973, Alpex and the company may each provide 50% thereof, but if Alpex does not provide its 50% share of this additional amount and at the same time or prior thereto purchase 50% of the senior subordinated notes then held by the company, the company may immediately exercise the option to purchase additional PBA common stock and thereby obtain controlling interest.

The common stock and debentures issued by PBA to Alpex in connection with the formation of PBA in 1970 exceeded the net tangible assets received from Alpex by $9,170,000; the excess amount is shown as "Rights to the SPICE system, etc." on PBA's balance sheet and is being amortized by charges to operations over a period of 40 years (straight-line method) from October 1, 1972. Amortization in the fourth quarter of 1972 amounted to $57,000.

Since inception, the principal activity of PBA has been the development, manufacturing, and marketing of its sales point information computing equipment. All costs, net of revenues, through September 30, 1972 have been deferred. PBA commenced significant commercial operations on October 1, 1972; amortization of pre-operating and development costs of $18,643,000 began on that date and will be charged to income over a period not to exceed 60 months, based on projected product shipments; the amortization would accelerate with any shipments in excess of projected shipments. Amortization in the fourth quarter of 1972 amounted to $202,000.

The recoverability of the deferred pre-operating and development costs, as well as of the rights to the SPICE system, etc., is dependent, among other matters, on the ability of PBA to develop profitable operations.

The financial statements of PBA for the year ended December 31, 1972 have been examined by S.D. Leidesdorf & Co. Their opinion is qualified as to the recoverability of promotional, research, and development costs. At right are PBA's condensed balance sheet as of December 31, 1972 and its condensed statement of operations for the year ended December 31, 1972, which were extracted from PBA's audited financial statements.

Condensed Balance Sheet

	Dec 31, 1972
Current assets	$12,882,000
Fixed assets, net	2,095,000
Rights to SPICE system, etc., net	9,113,000
Unamortized pre-operating and development costs	18,441,000
Other assets	263,000
Total assets	**42,794,000**
Current liabilities	$ 7,926,000
Long-term debt to parent companies	28,000,000
Other long-term debt	292,000
Total liabilities	**36,218,000**
Stockholders' equity	6,576,000
Total liabilities and stockholders' equity	**$42,794,000**

Condensed Statement of Operations

	Year ended ***Dec 31, 1972**
Revenues	$3,070,000
Cost of sales	3,251,000
Operating expenses	2,436,000
Amortization of unrecovered pre-operating and development costs and rights to the SPICE system, etc.	259,000
Total costs and expenses	**5,946,000**
Net loss	$2,876,000

*Commercial operations commenced October 1, 1972.

In the company's financial statements, its share in PBA's stockholders' equity and net loss have been adjusted for intercompany transactions.

SPRAGUE ELECTRIC COMPANY (DEC)

Consolidated Balance Sheet

OTHER ASSETS:	
Investments in affiliates (Note B)	$5,331,304

Consolidated Statement of Operations

Net (loss) before equity in net earnings of affiliates and extraordinary credits	$(435,049)
Equity in net earnings (loss) of affiliates (Note B)	1,101,883
Net earnings (loss) before extraordinary credits	**$666,834**

Note B (in part): Investments in Affiliates—In 1972, in accordance with APB Opinion 18, the Company adopted the equity method of accounting for investments in affiliates. This is principally 48% of the outstanding stock of Mostek Corporation, in which the Company has an equity of $4,500,000, or 3.4% of the Company's total assets, and as a result has included $1,079,791 before extraordinary credits and $193,663 of extraordinary credits ($.32 and $.06 per share respectively) in its 1972 earnings, as its equity in such earnings of Mostek Corporation (Note H). Sales of Mostek Corporation for 1972 were $17,733,554; total assets and stockholders' equity at December 31, 1972, were $16,587,540, and $11,037,614 respectively. The Company's 48% interest represents 1,534,350 non-public shares of stock. Since June 6, 1972, the public market (on which approximately 752,500 public shares are available for trading) for Mostek Corporation stock (adjusted for a 100% stk dividend paid on January 19, 1973) has ranged from a low of $7.50 to a high of $37.25 per share, but Sprague cannot assign any specific value which it might realize from the sale of such stock, when and if any such sale might occur.

TEXAS INDUSTRIES, INC. (MAY)

Consolidated Balance Sheet

	(in thousands)
OTHER ASSETS:	
Investments in and advances to unconsolidated subsidiaries and affiliated companies	$11,566

Consolidated Statement of Income

SALES AND REVENUES:	
Net sales	$92,314
Equity in net earnings of unconsolidated subsidiaries and affiliated companies	2,788
Other income	1,801
	$96,903

Financial Review (page 12)

Basis of Consolidation (in part)—The financial statements include on a consolidated basis, after elimination of intercompany accounts, the accounts of the Company and its subsidiaries with the exception of two wholly-owned subsidiaries. Equity in net earnings of unconsolidated subsidiaries and affiliated companies is comprised of the following:

	Net Income (Loss)	TXI Equity in Earnings
	(in thousands)	
Brookhollow Corporation—wholly-owned real estate company	$1,942	$1,942
Southwestern Financial Corporation—wholly-owned finance company	328	328
Dahlstrom Corporation—50%-owned construction company	1,046	523
Brookhollow National Bank—20%-owned bank	(26)	(5)
		$2,788

The investment in the Brookhollow National Bank was made in January, 1972, when the bank commenced its operations, and the loss shown above is based on the unaudited statement of income for the five months ended May 31, 1972. The investments in the companies mentioned above are carried at equity which includes undistributed earnings at May 31, 1972, of $9.5 million.

Condensed statements of Brookhollow Corporation, Southwestern Financial Corporation, and Dahlstrom Corporation taken from their audited financial statements are presented on pages 18 and 19.

F.W. WOOLWORTH CO. (DEC)

Consolidated Balance Sheet

	1971	1972
INVESTMENTS		
F.W. Woolworth and Co., Limited, England (Note 1)	$184,299,000	$194,271,000

Consolidated Statement of Income

Income of consolidated companies	$ 52,782,000	$ 53,553,000
Equity in net income of F.W. Woolworth and Co., Limited, England (Note 1)	23,799,000	25,612,000
Income before extraordinary charge	**$ 76,581,000**	**$ 79,165,000**

Note 1 (in part): Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all subsidiaries except F.W. Woolworth and Co., Limited, England, of which the Company owns 52.7% of the outstanding ordinary shares. This investment is carried in the consolidated financial statements at the Company's equity in the British company's net assets, and the Company's equity in the net income of the British company is included in net income.

A summary of the financial position and net income of the Company's foreign subsidiaries and its equities in their net assets and net income is presented on page 27.

Page 27: Unconsolidated Subsidiary, F. W. Woolworth and Co., Limited, England (Note A)

December 31,	1971	1972
	($ thousands)	
Current assets	$185,927	$200,821
Properties, net	358,075	370,250
Total assets	**544,002**	**571,071**
Current liabilities	108,590	99,894
Other liabilities and reserves	80,462	95,382
Total liabilities	**189,052**	**195,276**
Net assets	**$354,950**	**$375,795**
Company's equity in net assets	$184,299	$194,271
For the years ended December 31,		
Sales	$816,899	$940,244
Income before charges shown below	$98,812	$110,384
Depreciation and amortization	13,436	12,319
Income taxes	33,109	37,915
Provision for exchange losses	---	4,453
	46,545	54,687
Net income	**$52,267**	**$55,697**
Company's equity in income before provision for exchange losses	$23,799	$27,959
Provision for exchange losses	---	2,347
Company's equity in net income	23,799	25,612
Received in dividends	(20,319)	(15,640)
Company's equity in undistributed earnings	**$3,480**	**$9,972**

Note A: The financial statements of F. W. Woolworth and Co., Limited published in England are drawn up in accordance with accounting principles generally accepted in the United Kingdom, and in certain material respects these principles differ from those generally accepted in the United States. The annexed financial data, including calculations of the Company's equity in the British subsidiary's net assets and net income, are based upon financial statements of the subsidiary which have been adjusted to conform with accounting principles generally accepted in the United States.

WESTVACO CORPORATION (OCT)

Consolidated Balance Sheet

	1972	1971
	($ thousands)	
Investment in U.S. Envelope (note A)	$ 18,574	$ 18,099

Consolidated statement of income and retained income

Sales	$471,972	$430,929
Equity in net income of U.S. Envelope (note A)	833	568
Other income	6,564	3,315
	$479,369	**$434,812**

Notes to Financial Statements

Summary of significant accounting policies (in part): Basis of consolidation—The consolidated financial statements include the accounts of all subsidiaries that are substantially wholly owned. The Company's investment in U. S. Envelope Company (58% owned) is carried at cost plus equity in the subsidiary's undistributed net income since acquisition.

Note A: Subsidiaries—Financial data pertaining to the unconsolidated subsidiary, U.S. Envelope Company, for the years ended October 31, 1972 and 1971 are summarized below:

	1972	1971
	($ thousands)	
Sales	$84,140	$78,869
Net income	1,421	975
Total assets	38,782	35,740
Working capital	15,887	14,066
Shareholders' equity	27,581	26,800

Dividends received from U.S. Envelope amounted to $358,000 in both 1972 and 1971.

Under the consent decree entered in 1966 settling the Government's antitrust suit seeking divestiture, the Company may not sell paper to U.S. Envelope while owning any of its stock.

Income of consolidated foreign subsidiaries included in consolidated net income for the year 1972 amounted to $4,563,000 (1971—$3,635,000). Dividends received from these subsidiaries during the year amounted to $148,000 (1971—$168,000). The October 31, 1972 consolidated balance sheet includes $20,112,000 of net assets of these subsidiaries (1971—$15,697,000).

OTHER INVESTMENTS

Table 2-27 shows that 227 companies presented captions for investments other than those encompassed by *APB Opinion No. 18.* The terminology most often used was *investments* or *other investments.* Many companies combined investments with other accounts.

CRANE CO. (DEC)

INVESTMENTS AND OTHER ASSETS:	
Investments at cost:	
Southern Pacific Compnay, 500,000 shares of common stock (750,000 in 1971)	$21,480,599
Outlying lands	1,247,432
Miscellaneous	862,880
	23,590,911
Other assets	4,479,016
	$28,069,927

DART INDUSTRIES INC. (DEC)

INVESTMENTS AND OTHER ASSETS:	
Marketable securities (quoted market value: 1972– $48,328,000)	$44,204,000

Notes to Financial Statements

Marketable securities— During 1972, Dart initiated a program of investing in industrial and utility common and preferred stocks on a highly selective basis to increase the return on funds held for future development and expansion. Because it is not anticipated that such securities will be sold until sometime after 1973, the investments therein have been reflected as non-current assets under Investments and Other Assets.

THE SUPERIOR OIL COMPANY (DEC)

INVESTMENTS	
Marketable securities, at cost:	
Texaco Inc. (3,864,072 shares of common stock, market price approximately $145,000,000 at December 31, 1972)	$ 64,347,000
Other (market price approximately $24,000,000 at December 31, 1972)	19,474,000
	$239,200,000

TEXTRON INC. (DEC)

Investments of ARD, at cost	$41,683,000

Notes to Financial Statements

Investments of ARD Division—Investments of Textron's American Research and Development Division are carried at cost. In the case of those investments held by ARD at the date of acquisition by Textron, such cost represents the allocated portion of the purchase price paid by Textron. The cost method is utilized in recognition of the nature of the investments which are in venture capital businesses, over which Textron does not seek control. Consequently portfolio income is recognized only to the extent of dividends and interest received and gain or loss upon disposition of investments.

TABLE 2-27: OTHER INVESTMENTS

Balance Sheet Description	**1972**	**1971**
"Investments," "Other Investments," etc. as a separate caption	107	98
Investments combined with other accounts	93	122
Investments described (e.g. real estate, securities, etc.)	43	63
Total Presentations	**243**	**283**
Basis of Valuation		
Cost	76	110
Cost less reserve	37	32
Cost-market value disclosed	23	16
Not disclosed	107	125
Total Presentations	**243**	**283**
Number of Companies		
Presenting a caption for other investments	227	257
Not presenting such a caption	373	343
Total	**600**	**600**

For investment value see page 5.

Review of the Year (page 5)

American Research and Development—The merger of American Research and Development into Textron on May 18 was an important step in extending the Textron concept. ARD provides participation, through partial ownership, in a broad range of creative enterprises.

As a part of Textron, ARD will carry on its 26 year tradition of bringing together men and ideas and providing capital to build new businesses. ARD will maintain its policy of helpful guidance of affiliates, in keeping with its record as a constructive builder of enterprises for long range growth.

ARD continues to operate as a separate company from its Boston headquarters, with its own staff and Board of Directors, and to make investments in existing affiliates and in new projects. Since the merger with Textron an interest was purchased in International Venture Corp. Ptv. of Sydney, providing participation in a new Australian venture capital firm. ARD also provided capital to launch Scriptographics Corporation, which will introduce an advanced line of data input tablets and digitizers.

In response to an invitation for tenders, ARD sold its shares in Teledyne, Inc. for $4.6 million. These shares had been acquired by ARD in prior years in exchange for shares of Radar Relay, Inc. and The Geotechnical Corp.

ARD maintains a broad range of interest in technical and proprietary products and ideas, but does not limit itself to any specific field. A listing and description of ARD affiliates is contained in the ARD Annual Report, which is being sent separately to Textron shareholders.

American Research and Development Division of Textron

Portfolio investments at cost:	
Balance at May 18, 1972	$46,240,968
Investment additions	490,239
Investment reductions	(5,047,756)
Balance at December 30, 1972	**$41,683,451**
Investment value at December 30, 1972*	$48,549,169
Unrealized appreciation at December 30, 1972	$ 6,865,718
Portfolio income:	
May 18 – December 30, 1972	
Dividends and interest	$ 299,913
Realized gains	114,353
	$ 414,266

*As determined by management based on market prices where available.

NONCURRENT RECEIVABLES

Chapter 3, Section A of ARB *No. 43* states that the concept of current assets excludes "receivables arising from unusual transactions (such as the sale of capital assets, or loans or advances to affiliates, offices, or employees) which are not expected to be collected within twelve months." *APB Opinion No. 21—Interest on Receivables and Payables,* effective for transactions entered into after September 30, 1971, requires the imputation of a realistic interest rate to most long-term receivables not bearing interest or bearing an interest rate lower than the prevailing rate. Exceptions to the aforementioned requirement are listed in paragraph 3 of *Opinion No. 21.* Table 2—28 summarizes the balance sheet captions used to describe noncurrent receivables. Examples of non-current receivables follow.

AIRCO, INC. (DEC)

Long-term receivables	$15,544,000

Financial Review

Long-Term Receivables—Long-Term Receivables include amounts due in connection with the disposition of property in 1970 and early 1971 and will be collected over a seven-year period ending in 1979. The total amount of $9,600,000 at December 31, 1972 and 1971 has been discounted by $2,320,000 at the end of 1972 and $2,935,000 at the end of 1971 based on the then prevailing interest rate imputed at 9.5%.

TABLE 2-28: NONCURRENT RECEIVABLES

Balance Sheet Description	**1972**	**1971**	**1970**	**1969**
"Notes Receivable" (*373, 729)	37	33	48	43
"Accounts Receivable" (*547, 668)	10	9	16	15
"Long-Term Receivables" (*311, 334)	41	42	30	31
Notes and accounts receivables combined (*15, 531)	20	21	20	18
Due from employees (*526, 749)	10	11	13	9
Other— described (*10, 59)	33	24	47	30
Receivables combined with other investments, deposits, etc. (*19, 115, 509, 539, 663)	106	118	116	126
Total Presentations	**257**	**258**	**290**	**272**
Number of Companies				
Presenting noncurrent receivables	233	233	256	240
Not presenting noncurrent receivables	367	367	344	360
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

APCO OIL CORPORATION (DEC)

CURRENT ASSETS:	
Cash and short-term investments	$15,565,470
Receivables, net of allowance for doubtful receivables of $400,000 (note 3)	27,180,979
Inventories	12,163,723
Total current assets	**54,910,172**
NOTES RECEIVABLE, DUE AFTER ONE YEAR (NOTE 3)	3,601,925

Note 3: Notes Receivable, Due After One Year— Notes receivable— trade, due after one year, have been accepted primarily in connection with the Company's policy of assisting distributors of its refined products to acquire and improve their marketing facilities by advancing part of the costs and accepting mortgages on the facilities as security. The notes receivable generally are repayable in installments over periods ranging from ten to fifteen years. Installments due within one year total $439,192 at December 31, 1972 and $549,319 at December 31, 1971 and are classified as current assets.

ARMSTRONG CORK COMPANY (DEC)

	1972	**1971**
	(000)	(000)
Total current assets	$239,102	$232,181
Long-term receivables	$ 37,548	$ 33,492

Financial Review

Long-term receivables include a $30,000,000 subordinated note, with interest at 9½%, of Kerr Glass Manufacturing Corporation ("Kerr") due in annual principal installments of $2,500,000 from 1976 to maturity in 1987. Failure of Kerr to meet certain earnings tests may result in deferment of the payment of interest or principal, or both, on the note. Payment of the interest for 1972 ($2,883,000) has been deferred as provided by terms of the note and is included in long-term receivables. The note provides for mandatory principal prepayments beginning March 31, 1977, dependent upon Kerr's earnings.

THE BUDD COMPANY (DEC)

	1972	1971
INVESTMENTS AND OTHER ASSETS:		
Receivables – noncurrent (note 6)	$2,826,919	$5,174,012

Note 6 (in part): Railway Division– The company completed in 1968 the production of 50 complex high-speed railcars for Penn Central Transportation Company (Penn Central), 49 of which were delivered to Penn Central in 1968 and 1969. Eleven similar cars were completed for Southeastern Pennsylvania Transportation Authority.

At December 31, 1972 and 1971, there was approximately $5 million due by customers on the delivered and accepted cars including spare parts. The company has instituted suit against Lease Financing Corporation, to which the cars were sold, to recover a substantial portion of that amount. Penn Central, which is a joint and several obligor with Lease Financing under the contracts on which suit has been brought, is in reorganization. Lease Financing has brought Penn Central and the Trustees of Penn Central into this litigation as additional defendants. In order to protect fully its rights under the reorganization, the company filed a proof of claim with the trustees prior to June 1, 1971 which included the above unpaid balance and other claims as well. As the receivable may only be collected over an extended period of time, it was considered prudent to reduce the receivable by approximately $2.1 million which was charged to earnings in 1972.

DRAVO CORPORATION (DEC)

	($ thousands)
OTHER ASSETS	
Notes receivable – trade, due after one year	$$ 570
Notes from employees for common stock purchases	888
Miscellaneous	284
Total other assets	**$1,742**

GRANGER ASSOCIATES (AUG)

Notes and contracts receivable due after one year less allowance for losses of $50,000 in 1972 (Note 3) ..	$587,285

Note 3: Notes and Contracts Receivable–

Promissory note due from Dorne & Margolin, Inc. on sale of East Coast operations	$799,830
Other notes and conditional sales contracts	85,021
	884,851
Less Portion included in current assets	247,566
Balance due after one year	**637,285**
Less Allowance for losses	50,000
	$587,285

The Dorne & Margolin note is due in monthly installments to February 1, 1976, in the amount of $19,044 principal plus interest computed at the average rate on bank loans paid by Granger. As collateral Granger holds a subordinated security interest in substantially all the net assets of Dorne & Margolin, Inc. The note is assigned as collateral for a bank loan payable by Granger.

WALTER KIDDE & COMPANY, INC. (DEC)

	1972	1971
Total current assets	$409,191,161	$345,347,079
Receivable under contract to sell United States Lines (including accrued interest thereon of $11,678,000 and $5,922,000 respectively) (see note)	76,678,000	70,922,000

Notes to Financial Statements

Contract to Sell United States Lines– On November 9, 1970 the Company contracted to sell all the outstanding stock of United States Lines, Inc. (U.S. Lines) to R.J. Reynolds Tobacco Company (Reynolds) in exchange for a $65,000,000 note to be delivered at a later date and due not later than November 9, 1976. The principal of the note bears interest at 8% from November 9, 1970 and the unpaid 8% interest bears interest at 6% from May 9, 1971.

The contract provides that the sale will be consummated on the tenth day after the final approvals of the Interstate Commerce Commission, the Federal Maritime Commission (FMC) and, if necessary, the Federal Maritime Administration. To provide for the contingency that necessary governmental approvals may not be obtained, the Company and Reynolds have entered into a Supplemental Agreement which requires that, in this event, Reynolds must designate an independent financial institution which will, by no later than November 9, 1976, make an alternative disposition of U.S. Lines, through private or public sale, and must assure that the $65,000,000 note (including all accrued interest), or equivalent consideration, is delivered to the Company. Until disposition is accomplished under one of these agreements, U.S. Lines must continue to operate in a reasonably prudent competitive manner.

In view of the foregoing, all the assets net of liabilities of U.S. Lines have been written down to $65,000,000 and such amount plus accrued interest has been reflected as a receivable under the above contracts in the accompanying balance sheets.

Hearings have been held before a hearing examiner of the Interstate Commerce Commission who has not yet rendered his report.

In December 1970 the U.S. Department of Justice filed an antitrust action in a Federal District Court requesting, among other matters, that the merger be enjoined and the Supplemental Agreement be declared null and void. In April, 1971 the parties consented to a preliminary injunction requiring that the status quo be maintained and the Court issued an opinion that the Court, not the FMC, has jurisdiction with regard to the merger. In August, 1971 the Company petitioned the U.S. Supreme Court to review the District Court's holding concerning jurisdiction.

While the U.S. Supreme Court has not yet acted upon the petition, on February 12, 1973 the FMC issued its approval of the merger agreement subject to certain modifications, its disapproval of the Supplemental Agreement and its approval of the note. The parties have 30 days in which to signify acceptance of the proposed modifications which are designed primarily to insure the continued viability of U.S. Lines as a separate competitive entity owned by Reynolds.

The Company has been advised by counsel that, in its opinion, the merger agreement is not properly before the Federal District Court as a matter of basic jurisdiction and jurisdiction with respect to the Supplemental Agreement would properly belong in the Federal Courts. If for any reason the merger cannot be consummated, in the opinion of the counsel the Company should prevail with respect to the Supplemental Agreement. Accordingly, the Company's financial statements have not included the operating results of U.S. Lines after November 9, 1970.

Interest related to the $65,000,000 note has been accrued from November 9, 1970, amounting to $11,678,000 ($6,072,000 after related taxes), of which $5,200,000 ($2,704,000 after related taxes or $.25 per common share, primary, and $.23 per common share, fully diluted) was accrued in 1971 and $5,756,000 ($2,993,000 after related taxes or $.29 per common share, primary, and $.26, fully diluted) was accrued in 1972. The operations of U.S. Lines resulted in a loss of $9,243,021 for the year ended December 31, 1971 and net income of $2,907,661 for the year ended December 31, 1972.

NORTH AMERICAN PHILIPS CORPORATION (DEC)

Notes and accounts receivable due after one year, less estimate for doubtful accounts—$1,674,337	$21,794,361

A. O. SMITH CORPORATION (DEC)

	(000 omitted)
OTHER ASSETS:	
Receivable from sale of investment (Note 6)	$4,903

Note 6 (in part): Disposition of Businesses—The Company sold, effective at the close of business November 30, 1972, its 50% interest in A. O. Smith Corporation Of Texas to Armco Steel Corporation. Under the terms of the agreement, the Company will receive cash payments over an indefinite period with the amount of such payments based on the operating performance of the Texas line pipe business. It is anticipated that total payments, based on forecasts of future line pipe volume, will approximate the Company's current investment of $4,903,000 plus interest, therefore no gain or loss has been recognized on the transaction. In the event that Armco decides to liquidate the line pipe business the Company is guaranteed no less than $1,700,000. Any loss incurred would be recorded at the time such event occurs.

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.

Plant Expansion or Improvement

CARRIER CORPORATION (OCT)

INVESTMENT AND OTHER ASSETS	
Funds segregated for expansion	$27,012,000

Notes to Consolidated Financial Statements

Funds Segregated for Expansion—Funds segregated for expansion at October 31, 1972 consists primarily of net proceeds from the sale of debentures by Carrier International Finance N. V. The Corporation expects to invest these funds in existing foreign subsidiaries or affiliates for their increasing working capital requirements or expansion programs. A portion of the proceeds may also be used for direct or indirect investments in other subsidiaries, affiliates or joint ventures operating outside the United States, including those which may be formed or acquired in the future.

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

	($ thousands)
Capital Construction Fund—relating to ocean shipping business	$5,500

Notes to Financial Statements

Note 1: Capital Construction Fund—The Corporation has made application to enter into a capital construction fund agreement with the United States Maritime Administration pursuant to the Merchant Marine Act of 1936, as amended. Under the agreement, the Corporation will initially make deposits into the fund of approximately $5,500,000 to be used for the acquisition, construction and reconstruction of qualified vessels. The fund will consist of deposits determined on the basis of taxable income of specified United States flag vessels, proceeds from any disposition of such vessels, and earnings of fund investments. Such deposits are, with certain limitations, deductions from taxable income and reduce the amount of taxes currently payable. Accordingly, the 1972 provision for federal income taxes has been reduced by $2,600,000. Amounts in the fund may be withdrawn for investment in qualified vessels or payment of principal on indebtedness relating to such investment without incurring income taxes; however, the depreciable cost basis of the vessels will be reduced by the amount of such withdrawals, not previously taxed, in computing depreciation for federal income tax purposes. The Corporation expects to make future deposits under the agreement in amounts which will exceed the reduction in depreciation charges on such vessels for

TABLE 2-29: ADVANCES, DEPOSITS AND SEGREGATED CASH OR SECURITIES

Purpose	**1972**	**1971**	**1970**	**1969**
Plant expansion or improvement	18	13	16	30
Other- specified	21	17	29	27
Purpose not specified	60	62	63	64
Total Presentations	**99**	**92**	**108**	**121**
Number of Companies				
Presenting advances, deposits, or segregated funds	86	89	93	104
Not indicating such account	514	511	507	496
Total	**600**	**600**	**600**	**600**

income tax purposes, and accordingly the reductions in depreciable cost basis will not result in increased federal income taxes for as long as the Corporation follows such practice.

INLAND STEEL COMPANY (DEC)

	(000)
Unexpended Pollution Control Project Revenue Bond Funds Held by Trustee	$9,433

LEHIGH PORTLAND CEMENT COMPANY (DEC)

Certificates of Deposit, segregated for capital and other related expenditures	$10,000,000

Other Purposes

CUTLER-HAMMER, INC. (DEC)

INVESTMENTS AND OTHER ASSETS:

Time deposits in foreign banks reserved for foreign operations	$8,768,741

DART INDUSTRIES, INC. (DEC)

INVESTMENTS AND OTHER ASSETS:

3M Company common stock held in escrow for exchange by holders of 4¼% and 4¾% debentures issued in 1972 (quoted market value at December 31, 1972-$72,529,000)	$35,162,000

Notes to Financial Statements

Investment in 3M Company Common Stock—At December 31, 1972, Dart owned 939,517 shares (after a 2-for-1 split) of 3M Company common stock which were received in the 1970 sale of the ethical drug business. These shares are carried at the value established by independent appraisal to recognize the restriction on their sale (which expired in January 1972). Of such shares, 847,000 are held by an independent Escrow Agent for possible exchange by holders of the $60,000,000 4¼% Subordinated Debentures due July 15, 1997 and the $20,000,000 4¾% Subordinated Debentures due August 15, 1987, as described more fully in a following Note. The remaining 92,517 shares have been included in Marketable Securities in 1972 and all shares owned at December 31, 1971 have been included therein (1,492,512 after a 2-for-1 split). Dart is entitled to all cash dividends paid on the 3M stock held in escrow to the extent that they do not exceed 3M's net earnings.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

INVESTMENTS AND SUNDRY ASSETS:

Securities held for repayment of long-term debt	$493,725,530
Other investments and assets	205,888,606
	$699,614,136

Notes to Consolidated Financial Statements

Securities Held for Repayment of Long-Term Debt—securities with a face amount of $500,000,000, including the securities carried as a non-current asset in 1971, are being held for the repayment of debt incurred principally to comply with the regulations of the Office of Foreign Direct Investments of the U.S. Department of Commerce covering the repatriation of foreign earnings. These securities are at cost, adjusted for amortized premium or discount.

J. B. LIPPINCOTT COMPANY (DEC)

OTHER ASSETS

Royalty advances to authors	$906,085

ST. REGIS PAPER COMPANY (DEC)

OTHER ASSETS

Advance payments under timber-purchase contracts	$21,305,000

THE UNITED PIECE DYE WORKS (DEC)

Other assets (Note G (2))	$226,778

Note G (2): In connection with improved municipal waste disposal facilities to be constructed near one of its plants, the Company has agreed to pay monthly service charges through 2001 based upon its usage of the facilities. It is estimated that minimum future payments in declining annual amounts from $49,500 to $21,000 will aggregate $1,028,500 through 2001. The Company deposited $200,000 in an interest-bearing escrow account to secure its performance under this agreement. The deposit is included in other assets in the accompanying balance sheet.

CASH SURRENDER VALUE OF LIFE INSURANCE

Chapter 3, Section A of *ARB No. 43* states that cash surrender value of the insurance policies is properly presented as a noncurrent asset. The number of survey companies disclosing such an asset has declined from 63 in 1960, to 38 in 1969, 41 in 1970, 39 in 1971 and 33 in 1972.

The examples of cash surrender value disclosures which follow show insurance policy loans deducted from cash surrender value. While it is a general principle of accounting that the offsetting of assets and liabilities in the balance sheet is improper, loans on a life insurance policy which are to be repaid with proceeds of the policy may be offset aginst the policy's cash surrender value (see *ARB No. 43,* Chapter 3, paragraph 7, footnote 3).

BOWNE & CO., INC. (DEC)

	1972	1971
OTHER ASSETS:		
Cash surrender value of insurance on lives of key employees, net of loans—1972, $72,776; 1971, $78,001	$164,412	$131,115

SMC INDUSTRIES, INC. (AUG)

INVESTMENTS AND OTHER ASSETS:

Cash value of life insurance, net of loans of $334,440 (Note 12)	$133,628

Note 12: Stock purchase contract—At August 31, 1972, the Company was obligated, under a stock purchase contract dated July 18, 1972, to purchase 79,150 shares of its common stock from the former chairman of the board of directors and chief executive officer of the Company. The total purchase price of the stock, which amounted to $949,800 ($12 per share), was paid on October 16, 1972 with short-term borrowings obtained from a bank. The Company intends to liquidate the short-term borrowings with proceeds received from (1) the cancellation of life insurance policies with net cash values of $128,228 and (2) the issuance of a five-year installment note in the amount of $850,000 (the note will be payable in quarterly installments of $42,500 plus interest beginning in March 1973). Due to the contemplated refinancing of the short-term borrowings, $850,000 of the stock purchase obligation is reflected in the balance sheet at August 31, 1972 as long-term debt.

As a result of the above stock purchase transaction, an existing stock retirement agreement with the former officer was terminated.

TABLE 2-30: INTANGIBLE ASSETS

Type of Asset	1972	1971	1970	1969
Goodwill recognized in a business combination (*173, 524, 602)	398	287	234	205
Goodwill— source not indicated (*323, 428, 514)	43	49	52	65
Patents, patent rights (*87, 541, 738)	105	101	106	109
Trademarks, brand names, copyrights (*146, 748, 755)	59	55	59	59
Licenses, franchises, memberships (*74, 451)	33	25	24	20
Formulae, processes, designs (*122, 145)	10	6	8	8
Various other (*601, 680, 714)	25	20	31	24
Intangible assets (not otherwise described)	59	44	43	36
Total Presentations	**732**	**587**	**557**	**526**
Valuation Basis				
Amortized balance	404	290	230	189
Unamortized value	242	189	200	169
Not determinable	47	76	91	112
Nominal value	39	32	36	56
Total	**732**	**587**	**557**	**526**
Number of Companies				
Presenting intangible assets	364	334	334	309
Not presenting intangible assets	236	266	266	291
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

INTANGIBLE ASSETS

Chapter 5 of *ARB No. 43,* as modified by *APB Opinion No. 30,* and *APB Opinion No. 17* discuss the subject of accounting for 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. 30.
>
> 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,

TABLE 2-31: VALUATION OF INTANGIBLES

	Total	Amortized Balance	Unamortized Value	Nominal Value	Not Determinable
Type of Asset					
Goodwill recognized in a business combination	398	199	191	1	7
Goodwill (source not indicated)	43	18	16	5	4
Patents, patent rights	105	77	4	16	8
Trademarks, brand names, copyrights	59	29	11	12	7
Licenses, franchises, memberships	33	23	3	1	6
Formulae, processes, designs	10	7	2	1	--
Various other	25	18	4	1	2
Intangible assets (not otherwise described)	59	33	11	2	13
Total Presentations	**732**	**404**	**242**	**39**	**47**

1970 should be in accordance with Chapter 5 of ARB No. 43 as modified by APB opinion No. 30.

Table 2-30, a comparative summary of intangible assets by type and by accounting treatment, and Table 2-31, a summary of accounting treatments disclosed by the survey companies in their 1972 annual reports, show the prevalence of goodwill recognized in a business combination. These tables exclude certain assets often considered to be intangibles but which were presented with land or depreciable assets.

Of 217 companies amortizing goodwill, 92 disclosed an amortization period of less than 40 years, 95 disclosed an amortization period of 40 years, 10 disclosed an amortization period of legal or estimated life and the remaining 20 did not disclose a time period. Examples of intangible assets follow. Additional examples of goodwill recognized in a business combination are presented in connection with Table 1-19.

Goodwill

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

Excess of cost over net assets of acquired companies, less accumulated amortization of $64,340 (Note A)	$2,454,234

Notes to Financial Statements

Note A (in part): Summary of Significant Accounting Policies— The excess of purchase cost over the net assets of acquired companies includes $1,625,815 relating to the acquisition of S.A. Schonbrunn & Co. on May 27, 1971. Such excess is being amortized by charges to income on a straight-line basis over 40 years in accordance with accounting rules related to acquisitions subsequent to October 31, 1970. The excess of purchase cost over the net assets of companies acquired prior to November 1, 1970 ($892,759) is not being amortized since, in management's opinion, the value of net assets acquired has not diminished.

THE BENDIX CORPORATION (SEP)

	1972	1971
	($ millions)	
Goodwill and Patents (less amortization) .	$53.3	$54.2

Basis of Financial Statements

Goodwill and Patents— Goodwill arising prior to November, 1970 represents the excess of cost over the amount ascribed to the net assets of going businesses purchased since 1965 and is not amortized; goodwill arising from acquisitions entered into after October, 1970 is amortized on a straight-line basis over a forty year period. Such amortization was not material in relation to consolidated net income for fiscal 1972 and 1971.

Purchased patents are stated at cost, less amortization, and are amortized over their estimated economic lives. The Corporation has followed the practice of charging the cost of internally developed patents to income as incurred.

Notes to Consolidated Financial Statements

Goodwill and Patents— Goodwill and patents at September 30 are summarized below:

	1972	1971
	($ millions)	
Goodwill	$ 51.2	$ 51.7
Patents	2.5	2.6
Total	**53.7**	**54.3**
Less–Accumulated amortization	.4	.1
Remainder	**$ 53.3**	**$ 54.2**

CUTLER-HAMMER, INC. (DEC)

INVESTMENTS AND OTHER ASSETS:	
Time deposits in foreign banks reserved for foreign operations	$ 8,768,741
Investments in and advances to affiliates, on equity basis	1,213,995
Other assets	5,062,605
Unamortized excess of cost of investment in subsidiary over net assets acquired (Notes 1 and 11)	1,885,694
	$16,931,035

Notes to Consolidated Financial Statements

Note 1: Basis of Consolidation— The consolidated financial statements include all majority owned subsidiaries. The statements are based on fiscal years ended December 31, except two subsidiaries having fiscal years ending October 31, and one having a fiscal year ending September 30. All significant intercompany balances and transactions have been eliminated. The Company's investment in partially owned affiliates is carried on the equity basis of accounting. The accounts of foreign subsidiaries have been translated into United States dollars at current rates of exchange except for inventory, property, plant and equipment, and certain other non-current assets and stockholders' equity which have been translated at historical rates. Income and expense accounts have been translated at average rates during the period. Gains or losses resulting from the application of this method, which are insignificant in amount, have been reflected in the income statement.

The excess of cost of investment in subsidiaries or affiliates over net assets acquired is amortized to earnings using the straight-line method over a forty-year period.

Note 11: Acquisitions and Sales— In October, 1971, Cutler-Hammer, Inc., through a newly organized, wholly-owned United Kingdom subsidiary, acquired all the outstanding stock of Brookhirst Igranic Limited of Bedford, England, and Donovan Electrical Company Limited of Birmingham, England, which are engaged in the manufacture and sale of electrical control devices.

The acquisitions were accounted for using the purchase method and, accordingly, the results of operations since October 1, 1971, attributable to these companies, have been included in the financial statements.

The cost of the acquisitions required an initial payment of $16,269,000, which includes a repayment of amounts advanced to the companies by their parent of $8,075,000. The purchase agreement also includes an arrangement under which the price may be incrementally increased by an additional $3,200,000 for achievement of a given cumulative level of sales within the next five years. The initial purchase price resulted in an excess of cost over net assets acquired, amounting to $1,949,842, which amount may be increased by any subsequent adjustments of the purchase price.

FAIRCHILD INDUSTRIES, INC. (DEC)

	1972	1971
Other Assets (Note 3)	$ 8,815,679	$ 1,486,954

Notes to Financial Statements

Note 1 (in part): Excess of Cost Over Assets Acquired — The excess of cost of purchased businesses over their net assets at acquisition dates is being amortized by the straight-line method over forty years.

Note 2: Acquisitions— On January 31, 1972, the assets of radio station KLIF, Dallas, Texas, were purchased for $10,400,000 cash. On November 3, 1972, the assets of radio stations WYOO and WRAH, Richfield, Minnesota, were purchased for $1,500,000 cash. The cost of these acquisitions exceeded the fair value of their net assets at the dates of acquisition by $8,076,925, which amount is being amortized by the straight-line method over 40 years.

On February 15, 1972, Swearingen Aviation Corporation, a 90% owned subsidiary, acquired the assets of Swearingen Aircraft, a San Antonio, Texas designer and manufacturer of executive and commuter-type aircraft which was then operating as a debtor-in-possession under Chapter XI of the Bankruptcy Act. Under the terms of the agreement, the subsidiary issued $6,860,000 in non-interest bearing notes. In addition, payments of $20,000 for each aircraft sold and delivered will be made until such time as these payments total $9,340,000. In any event, the subsidiary is obligated to have made payments aggregating $7,000,000 by December 31, 1976 and $13,800,000 by December 31, 1981 or return the assets. Payments to be made on the notes and on aircraft sold and delivered are not guaranteed by the Corporation. Warrants to acquire an additional 10% of the stock were issued to the minority shareholders of the new subsidiary.

All 1972 acquisitions have been accounted for using the purchase method and, accordingly, have been included in the accompanying financial statements since the dates of acquisition. The following table summarizes the results of operations on a pro forma basis as though the assets of radio station KLIF and Swearingen Aviation Corporation had been acquired as of January 1, 1971 (1971 amounts for the acquired companies are unaudited). Results of operations of the Richfield, Minneosta stations were not significant.

	1972	1971
Revenue	$233,928,000	$269,109,000
Net earnings	6,189,000	5,871,000
Earnings per share	$ 1.36	$ 1.29

Note 3: Other Assets— Other assets include:

	December 31	
	1972	1971
Excess of the cost of purchased businesses over their net assets at acquisition dates, less amortization (Note 2)	$7,899,424	$ --
Bond issuance expense	464,912	509,501
Escrow deposit	--	750,000
Miscellaneous other assets	451,343	227,453
	$ 8,815,679	$ 1,486,954

GENERAL CIGAR CO. INC. (DEC)

	($ thousands)
OTHER ASSETS	
Common stock in treasury, available for employees' profit-sharing plan and deferred compensation, at cost— 13,529 shares	$ 377
Investment in and advances to wholly owned real estate development subsidiary	310
Long-term receivables	594
Deferred charges and other assets	886
Intangible assets (Note 1)	28,110
	$30,277

Note 1 (in part): Intangible Assets— Intangible assets represent the excess of cost over fair value of net intangible assets acquired. All present intangible assets were acquired prior to the effective date of Accounting Principles Board Opinion No. 17, and will be amortized only to the extent that a decline in value becomes evident or a definite term of existence is indicated.

NARCO SCIENTIFIC INDUSTRIES, INC. (NOV)

Intangible assets at cost less accumulated amortization, principally excess of cost over net assets of subsidiaries purchased	$4,831,000

Summary of Significant Accounting Policies

Intangibles— The excess of cost over net assets (goodwill) of subsidiaries acquired prior to 1970 ($3,974,000) is stated at cost since, in the opinion of management, there is no present indication that the asset has a limited or readily determinable life and no decrease in value has occurred. No amortization is contemplated unless it becomes reasonably evident that this intangible has a limited term of existence, at which time the cost will be written off, by amortization or otherwise, as appropriate. As required by current accounting pronouncements of the American Institute of Certified Public Accountants, goodwill relating to subsidiaries acquired after 1970 ($671,000) is being amortized against income on a straight-line basis over twenty-five years. Based on purchase acquisitions to date, this accounting change will not have a material effect on reported net income. Purchased patents, processes, license agreements, and other intangibles ($253,000.) are amortized over 5 to 20 years.

WARNER-LAMBERT COMPANY (DEC)

Unamortized Cost of Purchased Patents and Trademarks (Note 1)	$ 6,658,000
Goodwill (Note 1)	19,802,000

Note 1 (in part): Intangible Assets— Goodwill represents the excess of the purchase price over the fair value of the net assets of purchased companies. Generally, goodwill arising prior to 1971 is not being amortized since the value thereof is expected to be retained or increased. If a reduction in its value becomes evident, it is amortized until no further diminution of its value is apparent. Goodwill arising after 1970 is amortized over appropriate periods not exceeding 40 years. The cost of purchased patents is amortized over their legal lives; the cost of purchased trademarks is amortized over appropriate periods not exceeding 40 years.

Other Intangible Assets

CROMPTON & KNOWLES CORPORATION (DEC)

Intangible assets at cost less amortization (note 4)	$10,510,000	$11,047,000

Note 1 (in part): Amortization of Intangible Assets— Amortization of identifiable intangible assets is computed on the straight-line method at rates which are sufficient to write off the cost over their estimated useful lives. Rates used for contracts, formulae, trademarks, etc. are 6%-20% and for patents and patent rights, 6%-13%. The costs of acquisitions in excess of tangible and identifiable intangible assets acquired which originated prior to 1971, aggregating $5,016,000, are not being amortized as in the opinion of management no permanent loss in value has occurred. Such costs arising subsequent to 1970, aggregating $1,337,000 are being amortized by the straight-line method over a period of forty years.

Note 4: Intangible Assets

	1972		*1971 (Restated)*	
	Asset	Accumulated amortization	Asset	Accumulated amortization
Contracts, formulae, trademarks, etc.	$ 4,259	$508	$ 4,259	$ 60
Patents and patent rights	1,344	856	1,317	746
Cost of acquisitions in excess of tangible and identifiable intangible assets acquired	6,353	82	6,327	50
	$11,956	**$1,446**	**$11,903**	**$856**

Based upon an appraisal in 1972 of the assets of Intracolor Corporation purchased in 1971, $4,750,000 of an amount of $6,083,000 included in the 1971 balance sheet as originally presented under the caption "Costs of acquisitions in excess of equity in net assets", has been reclassified, $571,000 to property accounts and $4,179,000 to identifiable intangible assets. The 1971 accounts presented herein have been restated to reflect this reclassification and applicable income tax adjustments.

EMPIRE GAS CORPORATION (JUN)

OTHER ASSETS	
Goodwill (Note 1)	$1,292,603
Noncompetition agreements (Note 1)	1,040,360

Note 1(in part): Goodwill—Goodwill represents the excess of costs of acquisitions of properties and businesses over the portion of such costs allocated to receivables, inventories, fixed assets and other assets acquired.

Amortization—Amortization is being provided on noncompetition agreements on a straight-line basis in accordance with the terms of those agreements, generally ten years. Goodwill acquired after October, 1970, is being amortized by the straight-line method over forty years.

GENERAL PLYWOOD CORPORATION (OCT)

Patents, Patent Applications and Trademarks, at cost less accumulated amortization of $1,097,053 in 1972 (Notes D and H)	$634,728

Note D: Patent Litigation—The Company is the plaintiff in a suit for patent infringement and unfair competition against one of its competitors. The Company alleges that the defendant has infringed upon the Company's "microseal process" patent and that the Company is entitled to royalties for the use of this process. While the possible recovery may be substantial if the Company is ultimately successful in this litigation, the cost of further proceedings may also be substantial. Further, the ultimate realization of unamortized patent and trademark costs of $634,728 is substantially dependent upon the outcome of this suit. The Company and its special counsel are of the opinion that the Company is entitled to prevail in this suit. The decision of the court is pending.

Note H: Depreciation and Amortization—Depreciation and amortization charged to operations was $300,259 in 1972, and $339,061 in 1971, including amortization of patent costs of $129,482 in 1972, and $125,021 in 1971. Depreciation is computed principally on the straight-line method over the estimated useful lives of the assets. Amortization of patents is computed on the straight-line method based upon the legal life of such patents (17 years).

INTERNATIONAL RECTIFIER CORPORATION (JUN)

Patents and other intangible assets, at cost, less amortization to date	$1,229,960	$1,794,867

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part) —Amortization of patents and other intangible assets is provided on the straight-line method. Pharmaceutical patents are amortized over a six year period; product development costs over periods not to exceed five years; foreign plant preoperating expenses over a period of ten years, and goodwill over periods of 8 and 36 years.

Patents and Other Intangible Assets—The patents and other intangible assets at July 2, 1972 and June 27, 1971 comprise:

	1972	**1971**
At cost:		
Pharmaceutical patents	$1,534,308	$1,534,308
Product development costs	345,265	274,500
Foreign plant preoperating expenses and trademark rights	596,939	608,200
Goodwill	898,806	945,131
Sundry	288,329	562,223
	3,663,647	**3,924,362**
Less, accumulated amortization	2,433,687	2,129,495
	$1,229,960	**$1,794,867**

Additional amortization of $200,000 was taken in fiscal year 1972 on patents and preoperating expenses.

STANDARD PRESSED STEEL CO. (DEC)

OTHER ASSETS:	
Equipment held for resale, at estimated realizable value	$1,603,400
Patents and licenses, less amortization	212,500
Excess of cost of investment over net assets acquired, less amortization	559,045
Deferred charges and other	438,204
Total other assets	**$2,813,149**

Summary of Significant Accounting Policies

Property, Depreciation and Amortization—Property, plant and equipment are recorded at cost. Accelerated methods of depreciation are used for substantially all plant items acquired prior to January 1, 1967 and the straight-line method for all additions thereafter. Upon sale or other disposition of property, plant and equipment, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings. Maintenance and repairs are charged to earnings as incurred and renewals and betterments are capitalized.

The costs of patents and licenses are being amortized on the straight-line method over their approximate useful lives. The excess of cost of investment in subsidiaries and affiliates over net assets acquired generally is being amorized on the straight-line basis over a period of 10 years.

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	($ thousands)
OTHER ASSETS	
Excess of cost over net assets acquired (note 1(d))	$5,570
Music copyrights (note 1 (d))	2,708
Television station license and contracts (note 1 (d))	1,634

Note 1(d): Depreciation and Amortization— Depreciation and amortization of property and equipment is provided on the straight-line method using various rates based on estimated useful lives unless, in the case of leased properties, the term of the lease is a shorter period. Depreciation and amortization of property and equipment amounted to $3,325,000 in 1972 and $3,350,000 in 1971, of which $1,247,000 in 1972 and $1,258,000 in 1971 were charged to operations; the remainder in each year was charged to film inventories.

In 1972, because of the decline in the earnings of Wylde Films (a consolidated subsidiary acquired in 1969), the Company commenced amortizing the excess of cost over net assets acquired arising from this acquisition. Such excess is being amortized over 10 years on the straight-line method. The amortization had the effect of decreasing 1972 earnings before extraordinary items and net earnings by $619,000 ($.07 per share).

Music copyrights are being amortized on the straight-line method over 15 years, their estimated economic lives.

The amount of television station license and contracts represents the excess of cost over the net tangible assets of the station at the date of acquisition and is being amortized on the straight-line method over 25 years.

UNITED BRANDS COMPANY (DEC)

	($ thousands)
Trademarks and Leaseholds (Note 5)	50,249
Excess of Cost Over Fair Value of Net Assets Acquired (Note 5)	279,069

Notes to Consolidated Financial Statements

Note 1 (in part): Intangibles—Generally the cost of trademarks and the excess of cost of businesses acquired prior to 1971 over the fair value of net assets of such businesses are not being amortized, as it is the opinion of the Company that the benefits to be derived from these businesses will be of indefinite duration. Such intangibles acquired after 1970 are being amortized over the lesser of their estimated lives or forty years. The cost of leaseholds acquired is being amortized over remaining lease periods on the straight-line method.

Note 5: Intangibles—Excess of cost of investment over fair value of net assets of businesses acquired prior to 1971 of $275,339,000 is not being amortized.

The excess of equity over cost of net assets acquired in a 1966 acquisition is being credited to income over 10 years at $641,000 annually.

The excess of cost of investment over fair value of net assets of businesses acquired subsequent to 1970 and other intangibles of $10,994,000 are being amortized over 12 to 40 years; $375,000 and $110,000 were charged to income in 1972 and 1971, respectively, for such amortization.

In 1972 $5,741,000 excess of cost of investment over fair value of net assets of businesses acquired relating to investments in subsidiaries sold during 1972 was charged to income in determining gains or losses on such sales.

USM CORPORATION (FEB)

	1972	1971
ASSETS		
Goodwill, patent rights and other intangibles at cost less amortization of $1,458,000 and $1,676,000 (note F)	$31,182,000	$33,519,000
LIABILITIES		
Excess of net assets over cost of acquired companies (note F)	$ 2,619,000	$ 2,468,000

Note F: Intangibles—Amortization of intangible assets charged to continuing operations amounted to $583,000 in 1972 and $259,000 in 1971. Amortization of the excess of net assets over the cost of acquired companies, amounting to $319,000 and $261,000 in 1972 and 1971, respectively, has been included in consolidated income.

Costs of patent rights are being amortized over a five to eight year period or their remaining lives; trademarks are not being amortized. The parent company and certain domestic subsidiaries charge expenditures for acquisition or development of patents to expense in the year incurred. The intangible assets of the international subsidiaries are being amortized in consolidation over a five to ten year period.

The excess of the cost of acquired businesses over the value ascribed to the net assets at the date of acquisition is included in goodwill and is not being amortized except where management determines that the life of this intangible asset is limited, in which event it is to be charged to income over its estimated useful life or charged currently to income if it is deemed to have no continuing value. The excess of the net assets over the cost of acquired companies is being amortized to income over a ten year period. The intangible assets described in this paragraph are not subject to the provisions of Opinion No. 17 (Intangible Assets) of the Accounting Principles Board.

At the end of fiscal 1972 goodwill amounting to $4,678,000 was determined by management to have no continuing value and was written off as an extraordinary charge, without tax benefit, against consolidated income (see note N).

Expenditures for research and development are charged to expense in the year incurred.

DEFERRED CHARGES AND OTHER ASSETS

Chapter 3, Section A of *ARB No. 43* states that long-term prepayments fairly chargeable to future years or deferred charges such as "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" should be excluded from current assets. Table 2-32 shows that in many instances, the survey companies did not describe the nature of deferred charges or other noncurrent assets.

TABLE 2-32: DEFERRED CHARGES AND OTHER ASSETS

Type	**1972**	**1971**	**1970**	**1969**
Debt expense	48	48	51	48
Deferred income taxes	46	38	44	37
Research and development costs (*291, 367)	18	20	11	16
Start-up costs (*407, 646)	18	27	23	13
Employee benefits (*92, 172)	16	10	8	10
Property held for sale (*521, 603)	35	29	17	N/C
Prepaid expenses (*109,320, 437)	46	58	64	74
Other— described (*390, 567, 572)	35	25	49	70
Deferred charges or other non-current assets— not described	560	572	585	585
Total Presentations	**822**	**827**	**852**	**853**
Number of Companies				
Presenting above accounts	546	550	529	521
Not presenting above accounts .	54	50	71	79
Total	**600**	**600**	**600**	**600**

N/C— Not Compiled.

*Refer to Company Appendix Section.

Examples illustrating the various types of deferred charges and other noncurrent assets, except for deferred income taxes, are show below. Examples of deferred taxes are presented in connection with Table 2-42.

Research or Development Costs

HERSHEY FOODS CORPORATION (DEC)

OTHER ASSETS:	
Deferred almond ranch development expenses	$ 6,210,609
Deferred coffee service location costs	3,411,411
Other	5,844,146
	$15,466,166

Notes

Note 1 (in part): Deferred Items—Deferred development expenses consist of soil and water conservation payments and other preoperating expenses relating to the development of almond ranches by L. D. Properties Corporation, a wholly-owned subsidiary of the Company. Such costs will be amortized over the useful life (approximately 20 years) of the almond trees commencing with the date that a substantial commercial harvest is obtained (presently estimated to be during the year ending December 31, 1973).

Deferred location costs consist of certain expenses associated with the development and installation of new coffee service locations of Cory Corporation, a wholly-owned subsidiary. These costs are being amortized on a straight-line basis over the life of the installation, but not to exceed four years.

BOWNE & CO., INC. (OCT)

OTHER ASSETS:	
Cash surrender value of insurance on lives of key employees, net of loans—1972, $72,776	$164,412
Research and development costs	31,790
Deferred income taxes	204,605
Deferred charges	73,473
Deposits and sundry	118,156
	$592,436

Summary of Accounting Policies: Research and development costs—One of the Company's subsidiaries had adopted a policy of deferring expenditures relating to the development of time sharing programs which would benefit future operations. These expenditures are being amortized over a three-year period and all other costs are charged to current operations.

CITATION MANUFACTURING COMPANY, INC. (JUN)

OTHER ASSETS	
Research and development costs—Note 10	$918,071

Note 10: Research and Development—The Company follows the policy of deferring Research and Development costs until the product is placed into sustained production. Such development costs are then amortized over the expected useful life of the product. The Company presently expects the useful lives to approximate five years.

A summary of research and development by projects is presented below:

	Balance June 30, 1971	Additions	Amortization	Balance June 30, 1972
Golf caddy	$325,097	$245,781	$ ---	$570,878
Brush washer	112,246	173,866	---	286,112
Other	89,889	153	28,961	61,081
	$527,232	**$419,800**	**$28,961**	**$918,071**

No amortization was taken on the golf caddy, or brush washer since neither product was in sustained production at June 30, 1972. Management anticipates recover of these costs during the normal course of business.

Start-Up Costs

METRO-GOLDWYN-MAYER INC. (AUG)

MGM Grand Hotel Construction Project	$13,255,000

Notes to Financial Statements

Note 1 (in part): Hotel Pre-Opening and Development Costs—The Company is presently constructing the MGM Grand Hotel in Las Vegas, Nevada. In connection therewith, the Company has acquired certain land and buildings and has elected to capitalize pre-opening and development costs. Such pre-opening and development costs amounted to approximately $1,255,000 as of August 31, 1972. The Company expects to amortize these costs over a five-year period commencing with the opening of the MGM Grand Hotel. The Company has also entered and will enter into substantial commitments for the construction and operation of the new hotel and casino. The total estimated requirements for the project, including the land, construction costs, furniture, furnishings, equipment, pre-opening expenses and working capital, are approximately $90,000,000. As of August 31, 1972, the Company had entered into contracts for the construction of the hotel and casino totalling approximately $25,000,000 of which approximately $4,600,000 was paid or payable as of that date. In addition, the Company has expended approximately $6,700,000 for the land.

The Company has elected to capitalize gains or losses from the Bonanza Hotel and Casino and other pre-opening expenses of the Bonanza as part of the pre-opening and development costs of the MGM Grand Hotel. Of the total amount capitalized for the year ended August 31, 1972 (during which period the Bonanza was open approximately 29 weeks), the cost of operating the Bonanza was approximately $850,000 in excess of the revenues derived therefrom. In a management's opinion, such deferral is proper since the primary reasons for the opening of the Bonanza were to establish procedures and policies for the operation of the MGM Grand Hotel, to hire and train key personnel in order to minimize the problems incident to the opening of such a large facility, and to make available experienced personnel to assist in the planning of the MGM Grand Hotel.

UV INDUSTRIES, INC. (DEC)

	1972	1971
Deferred charges and other assets (Note 7)	$22,710,161	$22,674,447

Note 7: Deferred Charges and Other Assets:

	1972	**1971**
Unamortized debt issuance expenses	$ 3,280,939	$ 3,513,253
Mine Development	6,105,709	5,967,283
Preoperating and start-up costs of new plant facilities	7,260,304	6,399,257
Properties, plant and equipment of discontinued lead-zinc operations, at estimated value. (Note 3)	2,308,920	2,650,000
Other	3,754,289	4,144,654
	$22,710,161	**$22,674,447**

Unamortized debt issuance expenses are being amorized over the life of the related debt issues. Deferred mine development is being amortized on the basis of units of production. Deferred preoperating and start-up costs are related to plant expansion at Mueller Brass Co., a wholly-owned subsidiary. The start-up phase was completed during February 1972. Amortization of these costs which commenced in March 1972 is based upon the unit of production method, not to exceed a period of ten years.

SUNDSTRAND CORPORATION (DEC)

OTHER ASSETS	
Preproduction costs (less accumulated amortization 1972–$3,272,000)	$9,282,000

Financial Summary

Summary of Significant Accounting Policies (in part): Preproduction Costs incurred in connection with the development and manufacture of new major product line components prior to normal production, and preoperating costs incurred in connection with the start-up of new manufacturing facilities are deferred. Preproduction costs are amortized over a production sales period not to exceed five years.

Property Held for Sale

ARDEN-MAYFAIR, INC. (DEC)

Total current assets	$65,512,443
Equity in and advances to unconsolidated subsidiary, A-M Notes, Inc.	5,469,057
Notes and contracts receivables (less allowance for doubtful accounts of $755,000 and $710,000, respectively)	4,824,394
Property for resale, at market	4,065,008

Notes to Financial Statements

Note 1 (in part): Property for Resale—It is the Company's policy to hold for sale property considered by management as excess and no longer necessary for the operations of the Company. The aggregate carrying values are periodically reviewed and adjusted downward to market, when appropriate.

RAYBESTOS-MANHATTAN, INC. (DEC)

OTHER ASSETS	
Assets of discontinued product lines held for sale (Note B)	$1,098,429

Note B (in part): Discontinued Operations—In the fall of 1972, the Company announced its withdrawal from the manufacture and sale of its industrial hose, belting and selected other rubber product lines in the United States and Canada. The discontinuance of these product lines and the disposal of the related assets which commenced in the fall of 1972 is expected to be completed in 1973. The resultant losses and estimated costs of discontinuance are described in Note C.

For balance sheet presentation, the assets of discontinued product lines held for sale include land and buildings at cost, and machinery and equipment at estimated net realizable value.

Other

THE CESSNA AIRCRAFT COMPANY (SEP)

DEFERRED CHARGES:	
Tooling	$9,497,689
Debt expense	277,531
	9,775,220

Notes to Consolidated Financial Statements

Note 1 (in part): Deferred tooling—The cost of production tooling is deferred and amortized by charges to income, primarily by the unit-of-production method over an estimated three years of deliveries.

FEDERATED DEPARTMENT STORES, INC. (JAN)

OTHER ASSETS:	
Property not used in operations—at cost, less accumulated depreciation	$31,152,200

J. B. LIPPINCOTT COMPANY (DEC)

PRINTING PLATES (Note 1)	
Cost, less accumulated amortization (1972, $1,021,284)	$2,884,545

Note (1) (in part): Printing plates—Printing plates include expenditures for copy editing, art, composition and camera work necessary to prepare books, journals and other materials for publication. Printing plate costs are amortized utilizing various consistently applied formula methods based on historical sales patterns. The amortization periods for various classes of books generally are: educational and medical books—two to five years; trade books, fiction—six months to two years; non fiction—three to four years; Bibles—ten years. Plates and composition costs for medical journals are charged to expense in the month of publication. Maintenance and repair costs are charged to expense as incurred.

UNION CAMP CORPORATION (DEC)

ASSETS	
Timber cutting rights (See Contra)	$28,016,000
LIABILITIES AND STOCKHOLDERS' EQUITY	
Payments for timber cutting rights due through 1984 (See Contra)	$28,016,000

Notes to Financial Statements

Note 7: Timber Cutting Rights—The Company has the right under a timber cutting contract to cut and use or sell the timber and all future growth up to 1984 on approximately 201,500 acres of timberland in south-central Alabama. Minimum timber quantities are required to be paid for in annual amounts of $3,286,000 between 1973 and 1983 and $1,378,000 in 1984. The aggregate payments will be treated as the cost of timber purchased. The Company's rights to the timber and the present value of its obligations under the cutting contract discounted at 5% have been included in contra accounts on the balance sheet.

CURRENT LIABILITIES

Paragraphs 7 and 8 of Chapter 3A of *ARB No. 43* discuss the nature of current liabilities. Examples of the various types of current liabilities follow:

Short-Term Debt

Table 2-33 shows the number of survey companies disclosing short-term debt. Amounts of long-term debt due within one year are detailed separately in Table 2-37.

AMERICAN MOTORS CORPORATION (SEP)

	000
CURRENT LIABILITIES	
Short-term bank borrowings (Note B)	$ 25,000
Accounts payable	148,523
Accrued expenses	50,273
Taxes on income	5,509
Current portion of long-term debt	1,252
Total Current Liabilities	**$230,557**

Note B (in part): Short-term Bank Borrowings—AM General Corporation, a wholly-owned subsidiary of American Motors Corporation, has a Credit Agreement which provides for maximum borrowings of $25,000,000 to December 31, 1972, with interest at 1% above the current prime rate. At September 30, 1972, $25,000,000 was outstanding under this Agreement, and accounts receivable and inventories which have a carrying amount of approximately $57,000,000 and certain other assets have been pledged as security for the borrowing. American Motors Corporation and Jeep Corporation, a wholly-owned subsidiary, have guaranteed the borrowings of AM General. The Credit Agreement and the related Guaranty each contain various restrictive convenants relating to maintenance of minimum levels of working capital and net worth, additional indebtedness, and other matters. American Motors expects a renewal of this Agreement.

TABLE 2-33: SHORT TERM DEBT

Description	1972	1971	1970	1969
Notes or loans				
Payee indicated	204	213	234	224
Payee not indicated	256	294	307	281
Short-term Debt or Borrowings	27	20	11	N/C
Commercial Paper	16	21	20	N/C
Other	11	7	9	N/C
Total Presentations	**514**	**555**	**581**	**505**
Number of Companies				
Showing short-term debt	430	453	476	456
Not showing short-term debt	170	147	124	144
Total	**600**	**600**	**600**	**600**

N/C: Not Compiled.

BLUE BELL, INC. (SEP)

CURRENT LIABILITIES:	
Notes payable:	
Banks	$40,758,077
Commercial paper and other	4,885,713
Current maturities of long-term debt	1,407,187
Accounts payable, principally trade	26,363,062
Dividends payable	970,386
Accrued liabilities:	
Compensation of officers and employees	6,658,067
Income taxes	2,642,029
Taxes—other than income	1,010,362
Other	3,388,798
Total current liabilities	**$88,083,681**

EATON CORPORATION (DEC)

CURRENT LIABILITIES	
Short-term debt	$ 31,576
Trade and other payables	129,259
Income and other taxes	38,807
Current portion of long-term debt	5,759
Total Current Liabilities	**$205,401**

TABLE 2-34: CURRENT LIABILITIES – TRADE CREDITORS

Description	1972	1971	1970	1969
Accounts payable, payables, or trade payables in a separate caption (*88, 197, 213)	381	364	369	360
Accounts payable combined with accrued liabilities or accrued expenses (*45, 92, 314, 427)	192	210	212	209
Other captions (*302, 672)	27	26	19	31
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

CURRENT LIABILITIES:	
Short-term loans of international subsidiaries	$ 89,427,000
Accounts payable	106,035,000
Payrolls	45,711,000
Accrued income taxes	110,387,000
Other taxes and sundry liabilities	106,696,000
Long-term debt due within one year	28,762,000
Total current liabilities	**$437,018,000**

PIPER AIRCRAFT CORPORATION (AUG)

CURRENT LIABILITIES:	
Notes payable to banks	$ ---
Notes payable—other (Note 1)	4,000,000
Accounts payable	9,931,232
Accrued flood expenses	1,902,000
Salaries and wages	3,151,887
Income taxes payable	965,326
Taxes, other than income	547,526
Total current liabilities	**$20,497,971**

Note 1: Flood loss—In June 1972 a serious flood interrupted production and caused extensive damage to inventory and other assets at the Company's plant in Lock Haven, Pennsylvania, where all but one of the Company's twin engine aircraft and certain of its single engine aircraft are produced.

The flood loss charged to 1972 income as an extraordinary item reflects estimated losses on inventory (which, after allowance for salvage, approximated $11,800,000), allowance for indirect expenses which would have been applicable to the lost production and sales, and general costs of repair and rehabilitation. The flood loss has been reduced by estimated insurance recoveries and by applicable income tax credits.

To aid in the recovery from the flood, the Company borrowed from the Clinton County Industrial Development Authority $4,000,000, at 2% on its short-term unsecured note, which was repaid in October 1972. Furthermore, on October 24, 1972, the Company borrowed $12,000,000 from the Small Business Administration (SBA). The loan bears interest at the rate of 1% per annum, and is due in 20 years with payments commencing in 1975. In connection with this loan and the existing $10,000,000 5⅞% notes the Company has mortgaged substantially all of its land and buildings as security. The SBA loan provides for subordination of $8,000,000 to the 5⅞% notes.

Trade Creditors

Table 2-34 summarizes the caption used to describe liabilities due trade creditors.

AMERICAN CAN COMPANY (DEC)

CURRENT LIABILITIES:	(000)
Short-term notes	$ 14,305
Accounts payable and accrued expenses	177,182
Dividends payable	10,489
Federal and other income taxes	26,778
Current portion of long-term indebtedness	8,186
Estimated plant closing costs	34,900
Total current liabilities	**$271,786**

AMPEX CORPORATION (APR)

	($ thousands)
CURRENT LIABILITIES:	
Notes payable to banks and commercial paper	553
Trade accounts payable	16,340
Accrued royalties	22,753
Other accrued liabilities	25,537
Deferred income	7,803
Accrued taxes on income	6,232
Accounts payable to Ampex World Operations, S.A.	8,214
Current portion of long-term debt	18,847
Total current liabilities	**$106,279**

Liabilities To or For Employees

The captions used by the survey companies to describe liabilities to or for employees are summarized in Table 2-35.

COPPERWELD STEEL COMPANY (DEC)

CURRENT LIABILITIES:	
Current maturities of long-term debt	$ 600,000
Accounts payable	8,491,147
Accrued liabilities:	
Federal and state taxes	6,928,132
Salaries, wages, and vacation pay	4,736,893
Other	3,946,151
Total current liabilities	**$24,702,323**

THE HOOVER COMPANY (DEC)

CURRENT LIABILITIES	
Accounts payable—trade	$38,659,035
Salaries, wages, and commissions	7,885,635
Accrued expenses	17,706,656
Withheld and accrued taxes	2,850,388
Notes and loans payable	4,788,696
Federal, foreign, and state taxes on income	15,959,870
Total Current Liabilities	**$87,850,280**

LOCKHEED AIRCRAFT CORPORATION (DEC)

	1972 (000)	**1971** (000)
CURRENT LIABILITIES:		
Accounts payable	$229,243	$187,474
Salaries and wages	92,838	88,026
Federal income tax		
Current	650	1,325
Deferred	65,079	48,577
Other taxes	15,774	11,117
Customers' advances in excess of related costs	64,485	47,058
Retirement plan contribution (Note 6)	80,030	76,353
Other liabilities	57,103	53,557
Total current liabilities	**$605,202**	**$513,487**

Note 6: The Company has trusteed noncontributory employees' retirement plans covering substantially all of its employees. Essentially all of the costs of the plans are being funded over the service lives of the employees. The provisions for retirement plan costs were $80,000,000 for 1972 and $76,000,000 for 1971.

In 1971, the Company entered into new three-year union contracts which provided for a substantial increase in retirement benefits. After giving effect to the increased benefits, the present value of vested benefits of certain of the retirement plans exceeded the total of the market price of the assets of those plans and the Company contributions accrued at December 31, 1972. The excess was approximately $58,000,000, a reduction of $34,000,000 from the $92,000,000 excess at December 26, 1971.

TABLE 2-35: CURRENT LIABILITIES — LIABILITIES TO OR FOR EMPLOYEES

Description	**1972**	**1971**	**1970**	**1969**
Salaries, wages, payrolls, commissions (*40, 258, 467)	184	179	181	183
Withholdings, payroll taxes (*51, 247, 651)	39	47	55	31
Pension or retirement plan contributions (*11, 180, 582)	28	25	25	23
Profit-sharing contributions (*202, 524, 742)	27	24	15	16
Other captions (*89, 570)	32	34	43	44
Total Presentations	**310**	**309**	**319**	**297**
Number of Companies				
Showing liabilities to or for employees	202	193	192	186
No such liabilities	398	407	408	414
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

SIGNODE CORPORATION (DEC)

	1972 (000)	**1971** (000)
CURRENT LIABILITIES:		
Accounts payable	$14,392	$12,536
Bank loans	304	1,479
Current portion of long-term debt	1,349	1,369
Accrued expenses—		
Salaries and wages	4,526	3,758
Other	5,242	4,098
Accrued income taxes	3,828	4,421
Accrued profit sharing contributions (Note 3)	4,104	3,391
Total current liabilities	**$33,745**	**$31,052**

Note 3: Profit Sharing and Bonus Plan—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 annual 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 contribution made by the employees. The Company's contribution was $3,990,000 for fiscal 1972 and $3,077,000 for fiscal 1971. Certain domestic and foreign subsidiaries also have profit sharing plans and their contributions under these plans were $640,000 for fiscal 1972 and $482,000 for fiscal 1971.

The Company also has an incentive bonus plan for officers and certain key employees. The annual bonus is computed using a formula which considers the participant's annual salary and consolidated net earnings, as defined. The incentive bonus provision was $1,111,000 for fiscal 1972 and $938,000 for fiscal 1971.

SNAP-ON TOOLS CORPORATION (DEC)

CURRENT LIABILITIES	
Current maturities of long-term debt	$ 562,500
Accounts payable	
Trade	3,889,834
Payroll deductions	907,393
Accrued liabilities	
Compensation	4,877,665
Property, payroll and other taxes	423,266
Retirement plans and other	1,782,063
Income taxes	1,601,635
Dealers and salesmen deposits	4,829,745
Total current liabilities	**$18,874,101**

THE STANDARD REGISTER COMPANY (DEC)

CURRENT LIABILITIES	
Accounts payable	$3,989,057
Accrued salaries, wages and bonuses	2,372,313
Accrued pension plan contributions	1,088,114
Accrued interest, etc.	665,419
Accrued taxes, except federal income	1,223,228
Federal income tax payable	230,972
Total current liabilities	**$9,569,103**

Income Tax Liability

Captions used in the balance sheet to describe the current liability for Federal income taxes are summarized in Table 2-36. The most frequently used captions are *income taxes* and *Federal income taxes*. Twenty-nine companies did not show a current liability caption for income taxes.

TABLE 2-36: CURRENT LIABILITIES – INCOME TAX LIABILITY

Description of Income Tax Liability	**1972**	**1971**	**1970**	**1969**
Income Taxes (*7, 298, 500)	239	210	188	171
Federal income taxes (*25, 314, 606)	82	90	104	124
Federal and foreign income taxes (*79, 259, 511)	54	53	55	57
Federal and state income taxes (*56, 282, 602)	48	53	51	50
U.S. and foreign income taxes (*75, 197, 413)	40	48	50	60
Federal, state, and foreign income taxes (*116, 252, 485)	21	20	23	24
Other captions for income taxes (*215, 376, 526)	12	16	13	19
	496	**490**	**484**	**505**
Income taxes and other taxes combined (*19, 120, 290)	30	30	23	18
Taxes– type not specified	39	42	49	41
Other captions	6	4	12	11
Companies showing a caption for tax liability	**571**	**566**	**568**	**575**
No captions for taxes payable	29	34	32	25
Total Companies	**600**	**600**	**600**	**600**
Modifier				
Accrued	109	107	109	103
Estimated	20	22	26	27
Provision	5	7	12	13
Reserve	2	4	7	9
	136	**140**	**154**	**152**
No modifier	435	426	414	423
Total	**571**	**566**	**568**	**575**

*Refer to Company Appendix Section.

ALAN WOOD STEEL COMPANY (DEC)

Current liabilities:	
Notes payable to banks	$ 3,000,000
Accounts payable and accrued liabilities	13,434,759
Federal and state income taxes (Note 2)	468,137
Long-term debt due within one year	7,441,326
Total current liabilities	**$24,344,222**

Note 2: Income taxes—The Company has agreed to a settlement of its 1968 federal income tax return which will not have a significant effect on the financial statements.

Deferred income taxes are provided primarily for timing differences between financial statement and income tax depreciation expense which result from the use of different depreciation methods (Note 1).

Investment tax credits (see Note 1) for 1972 and 1971 amounted to approximately $352,000 and $45,000 respectively. At December 31, 1972, cumulative investment tax credits of approximately $2,370,000 ($2,400,000 at December 31, 1971) have been offset against the deferred income tax liability. These investment tax credits, to the extent utilized to offset future federal income taxes payable, will be credited to deferred income taxes on the balance sheet.

BAUSCH & LOMB INCORPORATED (DEC)

CURRENT LIABILITIES:	
Notes payable	$23,885,000
Accounts payable	8,958,000
Accrued liabilities	10,380,000
Dividends payable	636,000
Current portion of long-term debt	906,000
Federal and foreign income taxes	2,845,000
	$47,610,000

BIRD & SON, INC. (DEC)

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 6,147,000
Advance payments on sales contracts	1,157,000
Long-term liabilities, portion due within one year	82,000
Pension contribution payable	1,539,000
Federal income taxes	2,256,000
Dividend payable	503,000
Total current liabilities	**$11,684,000**

BRISTOL-MYERS COMPANY (DEC)

CURRENT LIABILITIES:	
Short-term borrowings	$ 38,918,000
Accounts payable	70,838,000
Accrued expenses	69,462,000
U.S. and Foreign taxes on income	42,320,000
Total Current Liabilities	**$221,538,000**

BURROUGHS CORPORATION (DEC)

CURRENT LIABILITIES	
Notes payable within one year	$ 86,797,428
Current maturities of long-term liabilities	84,467
Accounts payable and accrued expenses	122,033,588
Customers' deposits and prepayments	53,652,488
Dividend payable	2,983,503
Estimated income taxes	39,100,000
	$304,651,474

DRESSER INDUSTRIES, INC. (OCT)

	(000)
CURRENT LIABILITIES	
Notes payable	$ 17,056
Accounts payable, etc.	51,292
Advances from customers on contracts	2,761
Accrued compensation, taxes, interest, etc.	60,041
Estimated warranty costs	5,117
Federal, state, and foreign income taxes	18,589
Current portion of long-term debt	5,538
Total Current Liabilities	**$160,394**

LEVI STRAUSS & CO. (NOV)

CURRENT LIABILITIES:	
Due to foreign banks under overdraft agreements	$19,399,000
Notes payable to banks and current maturities on long-term debt	16,450,000
Accounts payable and accrued liabilities	39,617,000
Salaries, wages and employee benefits	9,653,000
Taxes based on income	12,039,000
Dividends payable	1,088,000
Total current liabilities	**$98,246,000**

PHILIP MORRIS INCORPORATED (DEC)

LIABILITIES:	
Notes payable	$197,900,000
Current portion of long-term debt	3,300,000
Accounts payable and accrued liabilities	212,489,000
Federal and other income taxes	42,287,000
Dividends payable	8,941,000
Total current liabilities	**$464,917,000**

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 2-37 shows the various descriptive captions and their frequency of use in the 1972 annual reports of the survey companies.

BASIC INCORPORATED (DEC)

CURRENT LIABILITIES	
Notes payable	$1,000,000
Accounts payable	3,593,118
Dividends payable	188,794
Accrued payroll	799,011
Accrued property taxes	462,548
Federal income tax	76,000
Current portion of long-term debt	1,359,000
	$7,478,471

TABLE 2-37: CURRENT AMOUNT OF LONG-TERM DEBT

Description	**1972**	**1971**	**1970**	**1969**
Current maturities of long-term debt (*33, 184, 356)	144	133	125	114
Current portion of long-term debt (*204, 350, 572)	132	129	123	123
Long-term debt due or payable within one year (*71, 321, 524)	87	88	96	90
Current installment of long-term debt (*154, 453, 560)	59	60	63	61
Type of long-term debt– e.g. Bonds Payable, Notes Payable, etc. (*77, 265, 683)	21	29	42	34
Caption combining maturing portion with other amounts (*246, 423, 681)	71	68	67	77
Total Presentations	**514**	**507**	**516**	**499**
Number of Companies				
Showing current amount of long-term debt separately	447	434	438	411
Showing current amount of long-term combined with other amounts	71	68	67	77
No current amount shown	82	98	95	112
Total	**600**	**600**	**600**	**600**

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

CURRENT LIABILITIES:	
Short-term bank loans	$ –
Current maturities of long-term notes payable	451,158
Accounts payable and accrued liabilities	13,499,412
Federal income taxes	848,937
Total current liabilities	**$14,799,507**

DART INDUSTRIES INC. (DEC)

CURRENT LIABILITIES:	
Accounts payable	$ 45,618,000
Accrued compensation	21,067,000
Other accrued expenses	60,679,000
Short term loans, foreign	3,776,000
Current installments of discounted rental obligations	1,340,000
Current installments of long term debt	7,035,000
Income taxes	15,800,000
Total current liabilities	**$155,315,000**

MASONITE CORPORATION (AUG.)

CURRENT LIABILITIES:	
Notes payable and current maturities of long-term debt	$ 1,186,000
Accounts payable and accrued liabilities	20,706,000
Federal and state income taxes	8,147,000
Total current liabilities	**$30,039,000**

UMC INDUSTRIES, INC. (DEC)

CURRENT LIABILITIES:	
Notes payable to banks and others	$ 4,313,609
Accounts payable	12,203,285
Wages, salaries and commissions	3,616,463
Other accrued liabilities	3,665,588
Contract payable	810,977
Income taxes	3,098,600
Current maturities of long-term debt	1,172,580
Total current liabilities	**$28,881,102**

Other Current Liabilities

Other identified current liabilities are summarized in Table 2-38. 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 2-38. There were 483 such presentations.

ACME MARKETS, INC. (APR)

CURRENT LIABILITIES:	
Current instalments of long-term debt (note 3)	$2,344,000
Accounts payable	80,454,000
Accrued expenses	31,138,000
Construction loan on property to be sold	6,200,000

TABLE 2-38: OTHER CURRENT LIABILITIES

Nature	1972	1971	1970	1969
Taxes not combined with Federal income taxes	129	110	106	132
Dividends payable	104	110	119	133
Deferred taxes	63	46	48	51
Interest	38	38	31	26
Customer advances, deposits	28	34	26	23
Guarantees, warranties, service contract obligations	16	17	18	16
Due to affiliated companies	15	12	9	11
Estimated costs relating to discontinued operations	14	N/C	N/C	N/C
Billings on uncompleted contracts	13	5	9	11
Other– Described	46	50	70	58
Total Presentations	**466**	**422**	**436**	**461**

N/C– Not Compiled.

ADMIRAL CORPORATION (DEC)

CURRENT LIABILITIES:	
Notes payable to banks	$ 15,220,000
Bankers' acceptances	12,457,000
Current portion of long-term debt	5,378,000
Accounts payable and accrued expenses	58,889,000
Product and service warranties	8,111,000
Income taxes	1,766,000
Total current liabilities	**$101,821,000**

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

	(000)
CURRENT LIABILITIES:	
Current portion of long-term debt	$ 2,210
Accounts payable	11,724
Income taxes:	
Current	78
Deferred	3,765
Other accrued expenses	3,327
Billings in excess of costs and estimated earnings on uncompleted contracts	5,676
Total current liabilities	**$26,780**

THE AMERICAN SHIP BUILDING COMPANY (SEP)

CURRENT LIABILITIES:	
Notes payable	S 2.575,212
Current maturities of long-term debt	926,876
Accounts payable	8.043,339
Accrued wages and salaries	1.199,041
Other accrued liabilities	3.628,967
Accrued Federal income taxes (Note 2)	4,213,407
Deferred Federal income taxes (Note 2)	2,830,000
Total current liabilities	**$23,416,842**

Note 2: Federal Income Taxes—The amount reflected in the accompanying balance sheet as current deferred Federal income taxes, $2,830,000, represents the net effect of claiming certain deductions for tax purposes in different periods than reflected in the Company's financial statements. The noncurrent deferred Federal income taxes represent the taxes deferred as a result of using accelerated depreciation methods for tax purposes and principally straight-line methods for financial reporting purposes.

During 1972, the Company entered into an Interim Capital Construction Fund Agreement with the U. S. Maritime Administration pursuant to the Merchant Marine Act of 1936, as amended. Under the Agreement, the Company has made or will make deposits into its capital construction fund to be used for the acquisition, construction, and reconstruction of vessels. As permitted by the Merchant Marine Act, the Company, in computing taxable income for the year ended October 1, 1972, deducted an amount equal to these deposits. As a result, provision for income taxes of approximately $750,000, otherwise payable for the year then ended, has been eliminated. No provision has been made for deferred income taxes with respect to this amount because Accounting Principles Board Opinion No. 23, indicates that it does not apply to such transactions.

The Company follows the "flow-through" method of accounting for the job development investment tax credit and, accordingly, applied approximately $80,000 of investment tax credit as a reduction in the provision for Federal income taxes in 1972, and none in 1971.

CADENCE INDUSTRIES CORPORATION (DEC)

CURRENT LIABILITIES:	
Notes payable to banks	$ 3,249,000
Accounts payable, less allowances for returns and cancellations of $16,727,000 in 1972 and $9,507,000 in 1971	13,610,600
Accrued expenses	6,532,700
Liability for trading stamp redemptions (note 1)	3,404,400
Income taxes	2,736,200
Current portion of long-term debt	1,594,500
Total current liabilities	**$31,127,400**

Note 1 (in part): Liability for trading stamp redemption—The Company records trading stamp revenue at the time stamps are furnished to its customers. The liability for trading stamp redemptions is the estimated cost of merchandise required to redeem stamps issued.

COLGATE-PALMOLIVE COMPANY (DEC)

	(000)
CURRENT LIABILITIES:	
Notes and loans payable to banks	$ 19,648
Current portion of long-term debt	3,752
Accounts payable	79,897
Accrued payrolls, commissions and bonuses	13,727
Dividends payable	8,024
Accrued advertising	41,388
Accrued income taxes	55,715
Other accrued taxes	11,912
Other accruals	43,817
Total current liabilities	**$277,880**

CONTROL DATA CORPORATION (DEC)

	(000)
CURRENT LIABILITIES:	
Notes payable to banks	$ 5,581
Intercompany accounts sold to banks	60,831
Current maturities of long-term debt	12,186
Amounts due affiliates—current portion (note H)	61,125
Customer advances	17,796
Accounts payable	26,734
Accrued taxes (including deferred income taxes of $17,229 in 1972)	66,978
Other accrued liabilities	44,154
Total current liabilities	**$295,385**

Note H: Transactions with affiliates—The Company has entered into financing arrangements with subsidiaries of Commercial Credit Company. Substantially all computer systems (which continue to be carried as property) held by customers under domestic short-term leases are transferred to a finance company subsidiary of Commercial Credit and concurrently leased back by the Company. The agreement currently in effect calls for repayment of amounts due over a five-year period at rates of interest ranging from a minimum of 7½% to a maximum rate of 2% above the prime rate charged by certain New York banks, and additional income equal to a portion of amounts realized from purchase conversion during the initial term and from sale or lease of equipment after expiration of the leaseback term if the following option is not exercised. The Company has the option to reacquire leased equipment from the subsidiary of Commercial Credit at the expiration of the initial leaseback period and each annual anniversary thereof for 3% of the original consideration therefor.

Some domestic long-term leases are financed with a subsidiary of Commercial Credit under an agreement whereby Control Data leases computing systems to such subsidiary which in turn subleases the systems to third-party users for a stated term of at least three years. The subsidiary of Commercial Credit advances to Control Data the discounted amount of lease rentals payable by the subleasee over the initial term of the sublease. In France, a Commercial Credit subsidiary has advanced the discounted amount of future lease receivables to the Company's French subsidiary.

All amounts advanced under the foregoing arrangements are treated as intercompany borrowings by Control Data and unpaid balances comprise the principal portion of amounts due affiliates in the accompanying balance sheets. Intercompany interest charges aggregated $12,363,000 in 1972 and $13,163,000 in 1971.

The current portion of amounts due affiliates at December 31, 1972 includes an $8,000,000 note payable to the newly formed joint-venture company, Computer Peripherals, Inc. (see Note C).

GENERAL HOST CORPORATION (DEC)

CURRENT LIABILITIES:	
Accounts payable	$9,893,000
Accrued expenses	15,343,000
Accrued interest payable	2,778,000
Payable to former shareholders of Cudahy Company	841,000
Current portion of long-term debt	1,589,000
Total current liabilities	**$30,444,000**

HERFF JONES CO. (JUN)

CURRENT LIABILITIES:	
Current portion of long-term debt	$ 640,920
Accounts payable	1,181,307
Deposits by customers on orders	2,575,211
Accrued salaries, wages and other compensation	455,731
Accrued commissions	2,203,599
Other accrued liabilities	1,024,308
Federal and state taxes on income	990,835
Total current liabilities	**$9,071,911**

JOHNS-MANVILLE CORPORATION (DEC)

CURRENT LIABILITIES	
Short-term loans and commercial paper	$ 48,540,000
Notes and accounts payable	36,055,000
Wages and compensation	31,878,000
United States and foreign income taxes	13,332,000
Other taxes	9,384,000
Anticipated relocation costs	5,805,000
Other accrued liabilities	16,445,000
Total Current Liabilities	**$161,439,000**

INGERSOLL-RAND COMPANY (DEC)

CURRENT LIABILITIES:	
Accounts payable and accruals	$116,200,000
Loans payable	55,386,000
Customers' advance payments on orders	9,128,000
Income taxes	45,853,000
Total current liabilities	**$226,567,000**

KOPPERS COMPANY, INC. (DEC)

CURRENT LIABILITIES:	
Federal income tax	$ 1,337,162
Other taxes	5,846,019
Accounts payable, principally trade	33,679,683
Accruals other than taxes	19,451,837
Advance payments received on contracts	6,626,556
Term debt due within one year	2,966,965
Notes payable to banks	526,257
Total current liabilities	**$70,434,479**

McGRAW-HILL, INC. (DEC)

	(000)
CURRENT LIABILITIES:	
Notes payable	$ 6,877
Accounts payable	27,982
Accrued royalties	14,686
Other accrued liabilities	24,978
Accrued income taxes:	
Currently payable	18,801
Deferred	5,325
Unearned service contracts	23,372
Total current liabilities	**$122,021**

RAYBESTOS-MANHATTAN, INC. (DEC)

CURRENT LIABILITIES	
Notes payable to banks—unsecured	$ 445,140
Notes payable to others	188,286
Accounts payable	6,757,963
Income taxes	2,078,077
Accrued liabilities	7,415,853
Estimated future costs of discontinued product lines	5,205,822
Total current liabilities	**$22,091,141**

SEARS INDUSTRIES INC. (DEC)

CURRENT LIABILITIES:	
Notes payable	$ 2,220,000
Accounts payable and accrued	10,548,831
Long-term debt due within one year	2,263,705
Federal income and other taxes	1,032,603
Due to factor	1,458,437
Total Current Liabilities	**$17,523,666**

TYSON FOODS, INC. (SEP)

CURRENT LIABILITIES	
Portion of long-term debt due within one year	$ 915,126
Trade accounts payable	8,134,101
Notes payable—Affiliate (unsecured)	1,000,000
Accrued liabilities:	
Salaries and wages	23,066
Taxes other than income	352,377
Federal and state income taxes currently due	391,903
Interest	186,926
Labor guarantee due contract growers	335,770
Deferred income taxes relating to timing differences	3,568,463
Total Current Liabilities	**$14,907,732**

ZENITH RADIO CORPORATION (DEC)

	(000)
CURRENT LIABILITIES:	
Bank loans payable in Swiss francs	$ 10,969
Accounts payable – trade	42,512
Accrued expenses–	
Salaries, wages, commissions and bonuses	11,418
Taxes, other than taxes on income	4,702
Contribution to profit-sharing retirement plan	13,859
Product warranty	30,057
Co-op advertising and merchandising programs	14,604
Other expenses	13,428
Income taxes	31,528
Total current liabilities	**$173,077**

Notes to Consolidated Financial Statements

Note 1 (in part): Research and Development, Product Warranty and Other Costs—Research and development costs are expensed as incurred. (Included in research and engineering expense is government research and development which was largely discontinued in 1972.) Costs estimated to be incurred with respect to product warranties are provided for at the time of sale based upon an estimate derived from experience factors. The costs of co-op advertising and merchandising programs are provided in the year of the related sales.

LONG-TERM DEBT

Types of long-term debt appearing in the 1972 balance sheets of the survey companies are analyzed in Table 2-39. In addition to the information shown in the table, 107 companies have long-term debt payable in foreign currency, 84 companies have long-term debt which is callable at the option of the company, and 51 companies have long-term debt of foreign consolidated subsidiaries payable in United States dollars.

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 most long-term payables not bearing interest or bearing an interest rate lower than the prevailing rate.

Several examples of the disclosure of imputed interest are included with the following examples of disclosures of long-term debt classifications.

TABLE 2-39: LONG-TERM DEBT

Unsecured– Not Convertible	**1972**	**1971**	**1970**	**1969**
Notes (*40, 193, 445, 654, 749)	448	468	466	401
Debentures (*26, 170, 327, 489, 647)	274	287	262	302
Loans (*22, 165, 287, 398, 433, 650)	107	95	88	108
Other– Described (*101, 210, 321, 588)	72	72	66	63
Other– Not Described	214	222	177	201
Total Presentations	**1115**	**1144**	**1059**	**1075**
Collateralized– Not Convertible				
Mortgages and other debt collateralized by real estate (*113, 253, 392, 405, 653)	228	214	215	230
Capitalized leases (*43, 111, 208, 395, 509)	156	141	141	117
Notes or loans (*57, 175, 358, 572, 717)	83	75	79	72
Other– Described (*16, 169, 201, 436)	69	59	68	49
Total Presentations	**536**	**489**	**503**	**468**
Convertible				
Debentures (*33, 171, 279, 384, 457, 538)	210	197	187	197
Notes (*21, 201, 313, 541, 646, 730)	41	40	39	39
Other– Described (*57, 113, 247)	16	12	13	5
Total Presentations	**267**	**249**	**239**	**241**
Number of Companies Presenting				
Unsecured and collateralized	196	189	184	200
Unsecured only	131	141	150	163
Unsecured, collateralized, and convertible	138	129	121	107
Unsecured and convertible	81	86	85	70
Other combinations	29	29	30	26
No Long-term debt	25	26	30	34
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

ASG INDUSTRIES, INC. (DEC)

	1972	**1971**
Long-term Debt, less payments due within one year included in current liabilities (note 4)	$37,040,031	$32,955,800

Note 4: Long-Term Debt—The long-term debt consists of the following:

	1972	**1971**
6% First Mortgage Bonds due April 1, 1982	$20,790.000	$20,790,000
6% First Mortgage Convertible Bonds due April 1, 1982	7,260,000	7,260,000
6⅛% Subordinated Promissory Note due April 1, 1993	4,000,000	– – –
5½% Subordinated Debentures due April 1, 1983	3,055,800	3,055,800
Other Long-Term Debt and Obligations	2,184,231	2,100,000
	37,290,031	**33,205,800**
Less payments due within one year included in current liabilities	250,000	250,000
	$37,040,031	**$32,955,800**

(a) The 6% First Mortgage Bonds are redeemable at their principal amount through the operation of a sinking fund and are callable, at the Company's option, at 102% or at principal amount under certain circumstances. Semi-annual sinking fund payments of $990,000 commence on April 1, 1974.

(b) The 6% First Mortgage Convertible Bonds are convertible at the option of the holder on or before April 1, 1982, into 1,815,000 shares of Common Stock (which have been reserved) at a price of $4.00 per share. The number of shares into which the bonds are convertible and the price per share are subject to adjustment under certain circumstances.

(c) The 6⅛% Subordinated Promissory Note is subordinate to the 6% First Mortgage Bonds and the 6% First Mortgage Convertible Bonds. Quarterly installment payments of $100,000 commence July 1, 1983, with additional payments at the option of the lender based on cash dividends paid, and earnings after 1982. Pre-payments may be made at the Company's option at face value. All payments to the note holder are subject to compliance with restrictions contained in the Mortgage Bond Indentures.

(d) The 5½% Subordinated Debentures are subordinated to the 6% First Mortgage Bonds and the 6% First Mortgage Convertible Bonds, and are callable at the Company's option at face value. The Company has fulfilled all sinking fund requirements to the maturity of the debentures. Any payments made to debenture holders are subject to compliance with the restrictions contained in the mortgage bond agreements. The conversion right of the debentures expired November 1, 1971.

(e) Other long-term debt and obligations consist of 4% Promissory Notes in the amount of $334,231 and an aggregate of $1,850,000 for notes and other obligations which are non-interest bearing. Of this amount, $1,100,000 is subordinate to each of the items of indebtedness described above and, to the extent provided, to future borrowings for capital improvements and working capital. Payments on the principal of this note are subject to compliance with the restrictions contained in the various debt agreements.

(f) Although the repayment terms of a portion of the obligations are not fixed, the estimated aggregate amount of long-term debt maturing during the period 1973 through 1977 is as follows:

Years Ended December 31:	1973	$ 250,000
	1974	2,485,660
	1975	2,528,571
	1976	2,200,000
	1977	2,200,000

(g) Under the Indenture of Mortgage and Deed of Trust relating to the 6% First Mortgage Bonds and the 6% First Mortgage Convertible Bonds, the Company has pledged substantially all of its properties as collateral for the bonds. In addition, the agreements relating to the bonds and debentures contain provisions as to minimum working capital requirements and limitations and other restrictions as to payment of dividends on the Company's Capital Stock. At December 31, 1972, under dividend restrictions, a deficit of approximately $9,986,000 existed in earnings available for payment of dividends on the Preferred Stock and a deficit of approximately $10,481,000 existed in earnings available for payment of dividends on the Common Stock. See note 10 for subsequent event which eliminated the Preferred Stock and dividend requirements thereon.

(h) The Company has entered into a loan agreement to borrow $7,000,000 at 9¼% interest for partial financing of its float glass facility. Quarterly installment payments of $175,000 commence July 1, 1983, with additional payments at the option of the lender based on cash dividends paid, and earnings after 1982. Optional pre-payments are permitted at prices ranging downward from 109.25% of principal amount or principal amount under certain circumstances. Any remaining loan balance is due in 1993. This loan is senior in right of payment to the 5½% Subordinated Debentures and the 6⅛% Subordinated Promissory Note. This loan agreement contains provisions as to minimum working capital requirements and limitations and other restrictions as to payment of dividends. By the terms of this agreement, no cash dividends on the Common Stock are permitted prior to 1974. This loan agreement and the 6⅛% Subordinated Promissory Note require the execution of an Indenture of Mortgage and Deed of Trust on April 1, 1983, by which the Company will pledge substantially all its properties as collateral for the indebtedness.

CENTRAL SOYA COMPANY, INC. (AUG)

Long-term debt	$ 77,548,206	$ 34,948,445

Sundry financial data (in part):

Long-term debt

	1972	1971
4¾%-5¼% (4⅛%-5% in 1971) instalment notes due to 1978	$ 8,740,000	$12,300,000
6⅜% sinking fund debentures due 1974-1993	20,000,000	20,000,000
7½% sinking fund debentures due 1978-1997	30,000,000	
Eurodollar revolving credit agreement terminating August 1, 1977, at variable interest rates, currently at 6⅝%	5,000,000	
Contract relating to acquisition of Provimi group, payable in annual instalments to 1975 (less imputed interest at 8%–$1,270,485)	6,117,461	
Other domestic notes and contracts, payable over various terms, with interest of 4% to 9½%	1,972,121	2,858,218
5½% foreign notes payable, due December 31, 1973	3,385,847	
Other foreign borrowings, payable over various terms, with interest principally 5¼% to 11¼%	6,499,049	1,419,050
	81,714,478	**36,577,268**
Due within one year	4,166,272	1,628,823
	$77,548,206	**$34,948,445**

Certain of the long-term loan agreements restrict the payment of cash dividends. Under the most restrictive of these agreements, retained earnings at August 31, 1972 and 1971 of $18,605,853 and $40,609,996, respectively, were not restricted.

Annual maturities of long-term debt for the five years after August 31, 1972 are as follows: 1973–$4,166,272; 1974–$8,236,859; 1975–$5,615,302; 1976–$4,759,853; and 1977–$8,384,348.

CRANE CO.

Long-Term Debt (see details on page 7)	$244,703,568	$261,916,872

DETAILS OF LONG-TERM DEBT AT DECEMBER 31

	1972	1971
Crane Co.:		
6½% Sinking fund debentures due 1992, $2,000,000 due annually beginning in 1973, after deducting $4,239,000 in treasury in 1972	$ 35,761,000	$ 37,537,000
6½% Bank term loans due 1974, $4,000,000 due annually (5¾% in 1971)	3,000,000	7,000,000
Miscellaneous	634,654	1,095,312
	39,395,654	**45,632,312**
Subordinated debentures:		
7% Sinking fund debentures due 1993, up to $1,000,000 due annually beginning in 1974, after deducting $2,202,000 in treasury in 1972	18,002,400	18,398,400
7% Debentures due 1994	52,077,000	52,077,200
5% Convertible debentures due 1993, convertible at $25 per share (722,544 common shares reserved in 1972) after deducting $2,116,000 in treasury in 1972	18,063,600	18,779,600
5% Convertible debentures due 1994, convertible at $28.75 per share (1,209,134 common shares reserved in 1972), after deducting $16,766,000 in treasury in 1972	34,762,600	36,852,400
	122,905,600	**126,107,600**
	162,301,254	171,739,912
CF&I Steel Corporation:		
5¾% First mortgage and collateral trust bonds, sinking fund series due 1979, minimum of $2,000,000 due annually	8,965,000	10,965,000
7¾% First mortgage and collateral trust bonds, sinking fund series due 1990, $3,000,000 due annually beginning in 1975	50,000,000	50,000,000
4⅞% Convertible sinking fund debentures due 1977 (convertible into CF&I common shares at $31 per share), $1,000,000 due annually, after deducting $3,495,000 in treasury in 1972	4,025,400	4,025,900
	62,990,400	**64,990,900**
Huttig Sash & Door Company:		
6½% Notes payable to banks due 1976, up to $625,000 due semi-annually (1973 installments prepaid)	2,625,000	3,875,000
Foreign Subsidiaries:		
Crane Canada Limited 5¾% sinking fund debentures (collateralized by a general claim on property and assets), due 1985, $440,000 due annually, after deducting $916,000 in treasury in 1972	7,004,000	7,920,000
Crane Ltd. (England):		
5½% Bank term loan due 1973	---	2,841,712
9¼% Bank term loan due 1977 (6¼% in 1971)	4,230,000	4,680,000
Glenfield & Kennedy Holdings Limited 5¾% unsecured loan stock due 1982	3,551,722	3,929,564
Miscellaneous	2,001,192	1,939,784
	16,786,914	**21,311,060**
	$244,703,568	$261,916,872

Financial Review

Long-Term Financing—Long-term debt was reduced by a net amount of $17,213,000 during 1972, compared with $12,124,000 during 1971. At December 31, 1972, the principal amounts of long-term debt repayments for the next five years were $6,578,000 in 1973; $6,414,000 in 1974; $8,452,000 in 1975; $9,459,000 in 1976; and $16,400,000 in 1977.

At December 31, 1972, Crane and its subsidiaries were committed under leases expiring through 2002 for annual rentals of $8,060,000, compared with $6,507,000 in 1971.

CYCLOPS CORPORATION (DEC)

	1972	1971
	($ Thousands)	
Long-term debt (Note 5)	$65,187	$72,035

Note 5: Long-term Debt

	1972	1971
	($ Thousands)	
Payable to insurance companies:		
6⅝% notes, payable through 1981	$27,900	$31,000
5⅝% notes, payable through 1981	16,000	17,500
8½% subordinated notes, payable through 1984 (less unamortized discount based on imputed interest rate of 13%—1972, $1,210,000—1971, $1,410,000)	14,348	15,370
5½% notes, payable through 1984 (less unamortized discount based on imputed interest rate of 10%—1972, $778,000—1971, $906,000)	7,864	8,415
5¼% notes, payable through 1978	2,000	2,300
Payable to banks:		
4¾% notes, payable through 1973	1,750	5,250
Prime plus ¾% notes, payable through 1979	2,164	---
Payable to others:		
5% subordinated notes, payable through 1975	2,500	3,500
Other mortgaged debt	618	---
	75,144	**83,335**
Less amounts payable in one year	9,957	11,300
	$65,187	**$72,035**

The aggregate annual principal payments for the five years subsequent to December 31, 1972 are: 1973—$9,957,000, 1974— $8,169,000, 1975— $7,671,000, 1976— $7,172,000, 1977— $7,172,000.

The loan agreements contain, among other things, provisions regarding maintenance of working capital and payment of cash dividends. Working capital at December 31, 1972 and 1971 was substantially in excess of the minimum requirement and the amount of retained earnings available for payment of cash dividends at each date was $13,250,000 and $10,635,000, respectively.

GENERAL PLYWOOD CORPORATION (OCT)

	1972	1971
Long-Term Debt, less current portion (Note F)	$1,007,353	$659,031

Note F: Notes Payable and Long-Term Debt—Notes payable and long-term debt at October 31, 1972, consist of the following:

Notes payable:	
Amounts payable under revolving credit agreements with finance company	$1,063,221
Affiliates	193,571
Officer and director	85,000
Other, bank	5,499
	$1,347,291
Long-term debt:	
Promissory note, interest at 11¼%, due monthly at $10,000 plus interest	$ 520,000
Promissory note, interest at 11¼%, due monthly at $4,762 plus interest	371,428
9% Ontario Development Corporation loan payable in monthly installments of $1,000 to May 15, 1973 and $2,000 to April 15, 1977 with balance due May 15, 1977, interest also paid monthly	192,977
7¾% Ontario Development Corporation loan payable in monthly payments of $3,388, including interest, through April 15, 1974	82,427
6¼% first mortgage notes payable in monthly payments of approximately $750, including interest, through August 1, 1982	65,976
5% subordinated debentures, due $16,300 annually through April 1, 1975	48,950
Other	45,170
	1,326,928
Less current portion	319,575
	$1,007,353

The approximate annual aggregate maturities of long-term debt are as follows:

	Total	Amount Included for Sold Companies
1973	$319,575	$142,080
1974	257,231	99,635
1975	225,951	81,144
1976	207,444	81,144
1977 and later	316,727	242,829

In connection with the revolving credit loans and the promissory notes, as amended on February 7, 1973, the Company is required to maintain a negative $425,000 minimum consolidated working capital and minimum consolidated tangible net worth of $1,200,000. The Company complies with these requirements at October 31, 1972.

The note payable to affiliates represents the amount drawn on an 11¼% credit line that is not to exceed $250,000.

Substantially all of the consolidated inventories and trade accounts receivable, and the proceeds from these items, and substantially all of the consolidated property, plant and equipment are assigned as collateral under the terms of the aforementioned borrowings. Under the terms of the above mentioned promissory notes, the Company is not permitted, without obtaining the prior written consent of the lender, to declare or pay any dividends in any one year in excess of 25% of its net income.

LITTON INDUSTRIES, INC. (JUL)

	1972	1971
	($ Thousands)	
Long-term liabilities	$418,336	$415,080

Notes to Financial Statements

Note B: Long-term Liabilities—Long-term liabilities at July 31, 1972 and 1971 consisted of the following:

	1972	1971
	($ Thousands)	
Notes payable to insurance companies:		
Due to 1984 with interest from 3½% to 4⅞%	$ 60,895	$ 65,835
Due to 1993 with interest from 5.35% to 7.0%	11,778	12,303
Notes payable to banks:		
Due to 1977 with interest at ¼% to ¾% above published bank borrowing rates	125,000	175,000
Due 1973 with interest at 8¼% (86,500,000 Swiss francs)		21,201
Due 1977 to 1980 with interest at 6⅛% to 6⅝% (258,000,000 Swiss francs)	67,188	
Due 1975 to 1982 with interest at 7⅞% to 8% (48,000,000 Dutch guilders)	14,792	
Bonds payable to 1984 with interest at 6¼% (60,000,000 Swiss francs)	15,625	14,706
Notes due December 1, 1976 with interest at 8¾%	60,000	60,000
Miscellaneous debt due to 1994 with average interest at 5%	63,058	66,035
	$418,336	**$415,080**

The long-term liabilities at July 31, 1972 mature as follows:

Year ended July 31, 1974	$ 62,369
Year ended July 31, 1975	50,296
Year ended July 31, 1976	12,478
Year ended July 31, 1977	117,820
Years subsequent to July 31, 1977	175,373

The Company has complied with its agreements to maintain specified ratios of assets to debt.

U.S. INDUSTRIES, INC. (DEC)

	(000)	
	1972	1971
Long-term debt—Note E	$206,394	$192,232

Note E: Long-Term Debt

	1972	1971
	($ Thousands)	
Notes payable to banks with interest at ¼% above prime rate, under a revolving credit agreement, permitting the borrowing on a basis of 90-day notes payable no later than December 31, 1973. The Corporation may elect to replace these notes with term notes up to $80 million bearing interest at ½% above prime rate, payable in 12 equal consecutive quarterly installments commencing March 31, 1974	$ 60,000	$ 57,000
7.75% Sinking Fund Debentures due June 1, 1997, requiring equal annual sinking fund payments of $2,500,000 commencing June 1, 1978	50,000	---
7.35% notes payable to insurance companies in annual installments of $3,000,000.	33,000	36,000
Notes payable to foreign banks under credit agreements at the indicated interest rates:		
(a) 1½% above London interbank rate, payable June 23, 1977	10,000	10,000
(b) 1¼% above London interbank rate (repaid in 1972)	---	40,000
United States Government insured ship mortgages – 6%, payable through 1984.	13,205	14,262
Mortgage notes payable through 1999 (approximate average interest rate 7.5%). ..	27,544	25,381
Notes and other debt payable through 2013 (approximate average interest rate 6.4%).	31,828	29,429
	225,577	**212,072**
Less portion due within one year	19,183	19,840
	$206,394	**$192,232**

Long-term debt at December 31, 1972 matures as follows:

1973—$19,183,000; 1974—$36,385,000; 1975—$36,036,000; 1976—$29,314,000; 1977—$18,501,000; thereafter—$86,158,000.

The various loan agreements contain certain restrictive covenants including limitations on dividend payments. At December 31, 1972, retained earnings unrestricted for dividend payments amounted to approximately $42 million.

At December 31, 1972, approximately $5.9 million of receivables, $12.6 million of inventory and $65 million of property, plant and equipment were pledged as collateral for indebtedness.

STANDARD PRESSED STEEL CO. (DEC)

Notes to Financial Statements

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Note (3) (in part): Long-term Debt— Long-term debt at December 31, consisted of:

Notes payable to banks:	
Borrowings under a revolving loan agreement, which expires on January 2, 1974, with interest at ½% above prime	$ 5,800,000
Borrowings under a Eurodollar credit facility agreement, expiring on January 2, 1974, which may be extended, with concurrence of holders of related notes, until November 25, 1975, with interest at 1¼% above the prevailing Eurodollar interbank rate (6% at December 31, 1972)	9,000,000
Notes due December 31, 1975, with interest at 1¼% in excess of prime	3,480,000
Notes due December 31, 1973, with interest at 1¼% to 2% in excess of the English interbank rate (9% at December 31, 1972)	1,410,000
	19,690,000
Notes payable to others:	
4⅞% note due December 1, 1977	3,330,000
5¾% notes due Decmeber 1, 1978	1,994,000
Other	428,616
	5,752,616
Total long-term debt	25,442,616
Less current installments	3,436,690
	$22,005,926

The revolving loan agreement and Eurodollar credit facility agreement grant the Company the right to borrow up to $10,000,000 under each agreement from a group of commercial banks. Interest is payable on the daily average unused portion of the commitment at ½ of 1%.

Among other convenants, the revolving loan agreement requires the Company to maintain consolidated net working capital, as defined, of not less than $38,000,000 (at December 31, 1972 working capital, as defined, exceeded the requirement by $5,486,000); prohibits the Company from pledging or mortgaging any assets except in certain circumstances, or from merging or consolidating with, or investing in, another company. The Eurodollar credit facility agreement generally contains the same convenants. Although not a written provision of its loan agreements, the Company has agreed to maintain compensating cash balances equal to a specified percentage of the outstanding balance of certain bank loans. At December 31, 1972 the aggregate amount of such compensating balances was approximately $2,857,000.

The amounts payable under long-term loan agreements over the next five years, assuming extension of the Eurodollar credit facility agreement to 1975, are as follows: $3,437,000 in 1973; $8,204,000 in 1974; $11,481,000 in 1975; $1,001,000 in 1976; $996,000 in 1977.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

Long-Term Debt	$772,932,774
LONG-TERM DEBT	
International Business Machines Corporation payable to The Prudential Insurance Company of America:	
3½% promissory note, due in annual installments, January 1, 1974 to 1985	$ 69,000,000
3½% promissory note, due in annual installments, May 1, 1974 to 1988	75,000,000
	144,000,000
Subsidiaries operating in foreign countries (average interest rate in parentheses) payable in:	
U.S. dollars, due 1974 to 1987 (6.7%)	393,595,782
French francs, due 1974 to 1991 (8.2%)	88,256,849
Swiss francs, due 1974 (6.4%)	66,814,198
Canadian dollars, due 1974 to 1991 (8.2%)	24,258,351
Netherlands guilders, due 1974 to 1981 (7.8%)	17,771,685
German marks	— — —
Other currencies, due 1974 to 1991 (7.4%)	38,235,909
	628,932,774
Consolidated long-term debt	$772,932,774
Consolidated long-term debt at December 31, 1972 was payable:	
1974	$129,545,465
1975	31,742,858
1976	72,128,339
1977	343,525,139
1978	19,395,271
1979-1983	78,179,813
1984-1991	98,415,889
	$772,932,774

CREDIT AGREEMENTS

Loan commitments from banks or insurance companies for future loans, or extension or refinancing of existing loans were reported by 189 companies as shown by the summary in Table 2—40. A commitment fee on the unborrowed portion of a loan commitment was reported by 45 companies.

TABLE 2-40: CREDIT AGREEMENTS

Type of Agreement	**1972**	**1971**	**1970**	**1969**
Revolving credit	128	129	143	111
Other	84	62	70	76
Total	**212**	**191**	**213**	**187**
Number of Companies:				
Disclosing credit agreement	189	179	199	176
Not disclosing such agreement	411	421	401	424
Total	**600**	**600**	**600**	**600**

ALLIED CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

Long-Term Debt—Debentures repurchased by the Company and on hand at December 31, 1972, will cover principal payments due on debentures in 1973. Principal payments due on debentures in subsequent years are: 1974, $11,226,000; 1975, $23,250,000; 1976, $23,541,000; 1977, $21,903,000; 1978 to 1982, a total of $84,150,000; 1983 to 1987, a total of $84,500,000; 1988 to 1992, a total of $102,500,000 and 1993 to 1996, a total of $30,000,000.

Under a credit agreement with three banks, the Company may borrow from time to time on 90-day promissory notes up to a maximum of $60,000,000 at any one time outstanding. The interest payable to each bank is at a rate equal to the best available rate of such bank in effect from time to time. If the Company does not borrow under the agreement, a commitment fee is not payable until January 31, 1975. If the Company borrows under the agreement, a commitment fee is payable commencing from the date of the first loan. The rate of the commitment fee is one-half of one percent per year on the average daily unused portion of each bank's commitment. On January 31, 1974, or subject to certain conditions, January 31, 1975, or February 2, 1976, the right of the Company to revolve notes terminates and the Company has the option of converting the agreement to a term loan up to the maximum of $60,000,000, payable in 16 consecutive quarterly installments starting three months after the effective date of the term loan.

The Company also has a credit agreement with five banks under which it may borrow from time to time on 90-day drafts up to a maximum of $65,000,000 at any one time outstanding. The interest payable to each bank is at a rate equal to one-half of one percent above such bank's bid rate for bankers acceptances. At any time prior to November 15, 1975, the Company may convert to a revolving credit loan under which it may borrow from time to time up to the maximum of $65,000,000, including drafts accepted but not yet matured, on 90-day revolving credit notes. The interest payable to each bank on the revolving credit notes is at a rate equal to the best available rate of such bank. If the Company converts to a revolving credit loan, a commitment fee is payable at the rate of one-half of one percent on the average daily unused portion of each bank's commitment from November 15, 1972, to November 15, 1973, but not to exceed one percent of such daily unused portion of each bank's commitment during the period from November 15, 1972, to the date of conversion. On November 15, 1975, the Company may convert the sum of the face amount of accepted but unmatured drafts and the unpaid principal amount of revolving notes outstanding to a three-year term loan payable on November 15, 1978.

Under both credit agreements interest on the term loan payable to each bank will be at a rate equal to one-half of one percent above the best available rate of such bank in effect from time to time. Also, the Company may not incur other short-term obligations in excess of the sum of (a) the unused commitments of the banks lending under the agreements and (b) the other unused bank lines of credit or commitments available to the Company.

At December 31, 1972, under the most restrictive provisions of indentures and bank loan agreements to which the Company is a party, $142,372,000 of earnings reinvested in the business was not available for cash dividends.

CELANESE CORPORATION (DEC)

Notes to Consolidated Financial Statements

Long-Term Debt and Related Restrictions (in part)—In April 1972, the Corporation entered into a Revolving Credit Term Loan Agreement under which certain major banks are committed to lend up to $100 million to the Corporation. The Corporation may borrow on a 90-day revolving basis through May 1, 1975, and is obligated to pay a commitment fee of ½% of the undrawn amount. On May 1, 1975, any amount then outstanding may be repaid or converted into notes payable in equal semi-annual installments terminating on May 1, 1979, with interest rates adjusted quarterly. Interest for the first two years is at the prime commercial lending rate; interest for the third and fourth years is at ¼% over the prime lending rate; and interest for the final 3 years is at ½% over the prime lending rate. On October 2, 1972, the Corporation borrowed $25 million under this agreement with interest for the initial 90-day period at 5½% on $9.4 million and at 5¾% on $15.6 million.

FAIRCHILD INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 4: Loans Payable to Banks—Loans payable to banks are made under a Revolving Credit Agreement that permits the Corporation to borrow, with certain restrictions, up to $25,000,000 during the period ending March 31, 1973. The Agreement requires, among other covenants, that the Corporation assign monies due or to become due under defense production contracts and certain significant non-defense contracts, maintain consolidated net current assets and stockholders' equity including debt subordinated to the bank loans, both as defined in the Agreement, and places certain restrictions upon the declaring of dividends.

At December 31, 1972, the Corporation's net current assets and stockholders' equity including debt subordinated to the bank loans exceeded the requirements of the Agreement by $12,380,000 and $5,899,000, respectively, and accumulated earnings of $5,899,000 were available for the payment of dividends.

THE B.F. GOODRICH COMPANY (DEC)

Long-term debt payable after one year	$364,822,000	$291,266,000

Notes to Financial Statements

Note C: Long-Term Debt Payable After One Year

	December 31	
	1972	**1971**
8¼% Debentures, maturing 1974 to 1994	$100,000,000	$100,000,000
4⅝% Debentures, maturing to 1985	42,400,000	44,600,000
7% Subordinated Debentures (effective interest rate of 7.85%), maturing 1975 to 1997 ($75,000,000 principal amount, less unamortized discount of $8,908,000)	66,092,000	---
3¼% Notes, maturing to 1977	11,000,000	12,000,000
5¾% Notes, maturing to 1982	13,125,000	14,250,000
6⅛% Swiss Franc Notes, maturing 1977	12,208,000	---
6½% Notes, maturing 1978 to 1992	20,000,000	20,000,000
9¾% Notes, maturing 1978 to 1995	50,000,000	50,000,000
Euro-currency Revolving Credit Notes	12,031,000	12,000,000
Other	37,996,000	38,416,000
Totals	**$364,822,000**	**$291,266,000**

The five-year revolving Euro-currency agreement, expiring December 1, 1975, provides for a borrowing limit of the equivalent of $30,000,000, with borrowing thereunder at ¾ of 1% above the London Euro-dollar Inter-bank rates. At December 31, 1972, the borrowing was repayable in Dutch Guilders.

The Company has a Revolving Credit and Term Loan Agreement which provides for a borrowing limit of $150,000,000. Amounts borrowed under the agreement on July 2, 1973 (not to exceed $60,000,000) may be converted to a term loan payable in nine equal, semi-annual installments, plus interest. At that date, the revolving credit commitment decreases to $90,000,000, and thereafter, decreases by one-ninth semi-annually. The agreement further provides that the net cash proceeds received by the Company after July 2, 1973 from the sale of equity securities or debt securities having a maturity of more than one year, excluding borrowings made under the revolving Euro-currency agreement, must be applied to payment of the term loan, if any. There were no borrowings under the Revolving Credit and Term Loan Agreement at December 31, 1972 or 1971.

Aggregate maturities of long-term debt during the next five years are as follows: 1973—$12,801,000; 1974—18,816,000; 1975—27,731,000; 1976—15,136,000; 1977—34,641,000.

HMW INDUSTRIES, INC. (JAN)

CURRENT:	
Notes payable to banks and insurance companies	$ 2,130,000
Notes payable and current installments of other long-term debt	214,000
Accounts payable and accrued expenses (including $785,000 and $2,212,000 relating to discontinued operations)	9,630,000
Total current liabilities	**$11,974,000**

Note 4: Notes Payable to Banks and Insurance Companies—Effective March 28, 1972, the Company and its

domestic lenders amended the 1971 loan agreement to provide for a revised repayment schedule of $300,000 on February 1, 1974 and 1975 and for $1,200,000 on February 1, 1976, with the remaining balance due on February 1, 1977 (aggregate loans of $15,886,000 outstanding at January 31, 1973). In addition, the agreement provides, among other things, that scheduled repayments will be augmented by remitting to the lenders any excess cash (as defined) and any proceeds from (1) the sale or lease of assets not in the ordinary course of business including the inventory note described in Note 1, (2) tax refunds and (3) settlements of litigated government claims. An additional amendment to the 1971 agreement provides for the deferral until February 1, 1974 of any repayments not to exceed $2,200,000 which would have been required between February 1, 1973 and July 2, 1973 through the realization of any of the above items. The loans continue to bear interest at a rate of 2 per cent above the prime commercial rate (the effective rate at January 31, 1973 was 8 per cent).

Although the first scheduled payment under the amended agreement is not due until February 1, 1974, the Company has classified $2,130,000 of such loans as a current liability since the scheduled proceeds from the inventory note described in Note 1, net of the amounts deferred by the lenders, must be applied as a reduction of the loans.

The Company has granted to the lenders mortgages and security interests in substantially all its real property and equipment and has pledged as collateral the capital stock of its subsidiaries and the inventory note referred to in Note 1. A default under such inventory note constitutes a default under the loan agreement.

The loan agreement also provides, among other things, that the Company (1) not pay dividends nor purchase any of its outstanding capital stock, (2) limit capital expenditures to $600,000 per year, and (3) meet certain financial ratios and maintain certain working capital and net worth requirements.

In consideration for the deferral of certain repayments to provide seasonal financing during the current year, the Company has agreed to cause Time Computer, Inc., a wholly owned subsidiary of the Company, to issue to the lenders warrants to purchase 10 per cent of its common stock at an aggregate price of $110. The warrants will be exercisable for ten years from the date of issue.

HAZELTINE CORPORATION

LONG-TERM LIABILTIES	
Notes payable to bank (Note 5)	$7,300,000

Note 5 (in part): Notes Payable to Bank—The Company has a revolving loan agreement with the Franklin National Bank pursuant to which the Company may borrow from time to time before June 30, 1973, for its general working capital amounts which could aggregate but not exceed $8,000,000 outstanding at any one time. There were borrowings of $7,000,000 outstanding as at December 31, 1972. Interest is payable monthly on the unpaid principal balance at the rate of ¾% per annum in excess of the Bank's prime commercial loan rate for short-term borrowings. A commitment fee is also payable monthly at the rate of ¼% per annum applied to the average daily amount of the unborrowed portion of the $8,000,000. All borrowings under the agreement are to be repaid on or before June 30, 1973, and during the term of the agreement the Company is required to maintain consolidated working capital of not less than $8,000,000. As security for its obligations under the agreement, the Company has assigned and pledged to the Bank, all its interest in and to the proceeds arising out of substantially all of Hazeltine Corporation's present and future contracts for materials and services with customers. Accounts Receivable at final or preliminary prices amounting to $10,119,764 at December 31, 1972, and $6,766,738 at December 31, 1971, were subject under the agreement to a security interest of the Bank to the extent of the obligation of the Company to the Bank. Under the loan agreement the maximum contingent liability to the leasing company (see Note 12) is limited to $10,000,000.

THE MACKE COMPANY (SEP)

Notes to Consolidated Financial Statements

Note 4 (in part): Long-Term Obligations—As of November 1, 1972, the Company entered into a Loan Agreement with five banks providing for loans up to $15,000,000 of which $10,000,000 is a term loan commitment.

The remaining $5,000,000 is a revolving credit commitment which can be converted into a term loan commitment on October 31, 1975, which along with the initial term loan becomes payable in sixteen equal quarterly installments commencing January 31, 1976.

The interest rate on the term loan of $10,000,000 is ½ of 1% in excess of the banks' prime rate. The interest rate on the $5,000,000 revolving credit loan is the banks' prime rate through October 31, 1973; ¼ of 1% in excess of the banks' prime rate from November 1, 1973 to October 31, 1974; and ½ of 1% in excess of the banks' prime rate from November 1, 1974 to January 31, 1980. The Company is required under the Loan Agreement to maintain, among other things, consolidated current assets, as defined, of at least 140% of consolidated current liabilities, as defined, at all times and consolidated net current assets of $5,000,000 during the first two fiscal quarters each year; $6,000,000 during the third fiscal quarter each year; and $7,000,000 during the fourth fiscal quarter each year. In addition, total consolidated liabilities, as defined, shall not exceed 150% of consolidated tangible net worth, as defined. The Loan Agreement also limits cash dividends and certain investments to 50% of consolidated net income subsequent to October 1, 1972, plus $3,000,000.

THE RATH PACKING COMPANY (SEP)

CURRENT LIABILITIES:	
Borrowings under Financing Agreement (Note 2)	$3,500,000

Note 2 (in part): Debt Agreements—Substantially all of the Company's assets have been pledged or mortgaged as collateral for borrowings under a Financing

Agreement and a joint Credit Agreement. The more important provisions of each agreement are presented below:

Financing Agreement—Under the Financing Agreement the Company may borrow funds up to an aggregate amount determined by its eligible receivables and inventories, as defined. As of December 15, 1971, a bank became a 50% participant in borrowings up to a maximum aggregate amount of $11,000,000. Interest rates ranged from 12.6% to 14.4% during the 1971 fiscal year and from 11.5% to 13.4% during the period October 3 through December 14, 1971. Effective December 15, 1971, interest rates are 6% over the prime bank rate with respect to 50% of outstanding borrowings and 1.5% over the prime bank rate with respect to the other 50% of outstanding borrowings. The average interest rate ranged from 8.5% to 9.3% in the period December 15, 1971 through September 30, 1972. In addition, the Company has been required, since December 15, 1971, to maintain a compensating bank balance of $825,000.

The agreement, which became effective January 4, 1968, has a term of five years and shall be automatically renewed for successive one-year periods unless terminated. The Company, upon thirty days' 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. The lenders, upon sixty days' notice, may terminate at any time, or may terminate without notice if the Company becomes insolvent, takes action to go out of business or the like.

ROHM AND HAAS COMPANY (DEC)

Notes to Financial Statements

Note (5) (in part): Notes Payable and Long-Term Debt—On December 18, 1972 a revolving credit agreement was established with a group of banks which entitles the company to borrow up to $100,000,000 at any time prior to December 15, 1980. This agreement supercedes a revolving credit and term loan agreement outstanding at December 31, 1971 which entitled the company to borrow up to $50,000,000 at any time prior to January 2, 1975. The new revolving credit agreement carries an interest cost of ¾% over the prime rate in lieu of compensating balances which had been required under the former agreement. Both agreements include an annual fee of ½% of the unused amount of the commitment. In addition, revolving credit and loan agreements entitle the company to borrow Eurodollars up to $27,750,000 at any time prior to March 31, 1973, and declining amounts thereafter through September 30, 1976, with options to extend beyond this date. These current agreements require the company to maintain consolidated tangible net worth of not less than $380,000,000 ($400,000,000 after December 31, 1973) and a working capital ratio of 1.5 to 1, place restrictions on total liabilities and on the pledging of company assets. At December 31, 1972 and 1971, $43,000,000 and $50,000,000, respectively, of these loans were outstanding under the above agreements.

WARNER COMMUNICATIONS INC. (DEC)

	1972	**1971**
Long-term debt due after one year (Note 7)	$160,466,000	$132,452,000
Convertible debt due after one year (Note 7)	30,211,000	35,890,000

Note 7: Long-term debt and Convertible debt—Long-term debt and Convertible debt at December 31, 1972 and 1971 consists of the following:

LONG-TERM DEBT	**1972**	**1971**
Revolving loans by banks under credit agreement expiring March 31, 1975	$52,000,000	$ 52,000,000
Bank loan due June 1974, interest at prime rate (repaid in February 1973)	45,000,000	--
7⅝% Subordinated Debentures due 1994	21,117,000	21,117,000
5% Subordinated Debentures due in annual installments to 1979	11,000,000	13,000,000
8½% notes due to insurance companies in varying annual installments to 1987	26,935,000	10,661,000
Fixed loan by banks; interest at ½% above prime interest rate	--	17,168,000
Sundry indebtedness (various terms)	9,160,000	30,514,000
	165,212,000	**144,460,000**
Less: current maturities	4,746,000	12,008,000
	$160,466,000	**$132,452,000**
CONVERTIBLE DEBT		
6¾% Convertible Subordinated Debentures, due 1990	$17,334,000	$20,000,000
5⅜% Convertible Subordinated Debentures, due 1980 to 1985	7,000,000	7,000,000
5% Convertible Subordinated Debentures, due 1988	--	3,492,000
Other convertible obligations	5,877,000	5,398,000
	$30,211,000	**$35,890,000**

The revolving loan agreement, as amended, permits borrowings up to $85,000,000, primarily for the financing of motion picture investments, 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 and ¾ of 1% above such amount, plus a commitment fee of ½ of 1% per annum on the unused available borrowings. At WCI's option, the outstanding revolving loan balance at March 31, 1975 can be converted into a term loan payable in equal quarterly installments from 1975 to 1979. Compensating cash deposits equivalent to 20% of the borrowings outstanding under the revolving loan agreement are required to be maintained; such deposits amounted to $10,400,000 at December 31, 1972.

On January 31, 1973, WCI entered into a fixed bank loan agreement in the amount of $75,000,000. Borrowings bear interest at an effective rate of 7¼% and will be repaid in three equal annual installments commencing November 30, 1979. $45,000,000 of the proceeds was used to repay the bank loan due June 30, 1974.

In addition, WCI borrowed $20,000,000 in February 1973 under a new revolving credit agreement which permits borrowings up to $125,000,000 in annual installments to December 31, 1978, for the financing of cable television operations. Borrowings bear interest of ⅛ of 1% above the prime interest rate on the first $25,000,000, increasing with future borrowings, to a maximum of ½ of 1% above the prime interest rate. The outstanding balance at November 30, 1978 will be repaid in equal quarterly installments from August 1979 to November 1981. If compensating cash deposits equivalent to 15% of the borrowings under this agreement are not maintained, the interest rate increases approximately 1%.

The 7⅝% Debentures are due on December 1, 1994 and are, at WCI's election, redeemable (with accrued interest) after December 1, 1974, at 107.625% of the principal amount and at decreasing prices thereafter. The Debentures may also be redeemed, in part, through the operation of a sinking fund, at 100% of principal amount, together with unpaid interest to date of redemption. WCI is required to make annual sinking fund payments of $773,000 commencing December 1, 1979.

The 6¾% Convertible Subordinated Debentures are (1) currently redeemable, at WCI's election (with accrued interest), subject to the market price of WCI's Common stock, at 106.75% of the principal amount and at decreasing prices at later dates, and (2) convertible into one Common share for each $32.50 of principal amount. WCI is required to make annual sinking fund payments commencing April 1, 1981, equal to 7½% of the then outstanding Debentures.

The 5⅜% Convertible Subordinated Debentures are (1) payable $1,167,000 in each year from 1980 to 1985, and (2) convertible into one Common share for each $32 of principal amount of the Debentures.

All conversion rates are subject to the usual anti-dilution provisions.

Maturities of long-term debt and convertible debt during the four years ending December 31, 1977 are: 1974–$2,949,000; 1975–$13,960,000; 1976–$15,536,000; 1977–$17,348,000.

TABLE 2-41: LONG-TERM LEASES

Features Disclosed– 1972	Leases Capitalized	Leases Not Capitalized
Rental Payments (*26, 286, 509)	27	314
Expiration dates (*62, 565, 702) .	22	152
Type of property (*372, 431, 610)	45	118
Renewal or purchase option (*88, 264, 470)	21	28

	1972	1971	1970	1969
Number of Companies				
All leases capitalized	73	52	52	62
Capitalized and not capitalized leases	83	89	89	55
All leases not capitalized	259	247	221	239
No indication of leases	185	212	238	244
Total	**600**	**600**	**600**	**600**
Industrial revenue bonds issued by lessor	69	51	51	43

*Refer to Company Appendix Section.

LONG-TERM LEASES – DISCLOSURE BY LESSEES

APB Opinion No. 5 discusses accounting for material, noncancelable leases. This opinion identifies the circumstances under which material, noncancelable leases should be capitalized and specifies what information should be disclosed if material, noncancelable are not capitalized. *APB Opinion No. 31 Disclosure of Lease Commitments by Lessees,* issued in June 1973 and effective for fiscal periods ending after December 30, 1973, sets forth disclosure requirements for leases not capitalized which supersede those requirements stated in Opinion No. 5. The manner in which leases are accounted for and disclosures made about leases are summarized in Table 2-41.

Examples of disclosures by lessees follow.

Leases Capitalized

ALLIED CHEMICAL CORPORATION (DEC)

Total current liabilities	$210,524,000
Long-term debt	383,856,000
Capitalized lease obligations	55,140,000
Deferred income	19,086,000
Deferred income taxes	71,092,000
Accrued pension obligations	84,900,000
Total liabilities	**$824,598,000**

Notes to Financial Statements

Capitalized Lease Obligations— Capitalized lease obligations relate principally to plants and facilities financed by industrial development revenue bonds, the principal and interest on which will be covered by rental payments made by the Company. Under certain conditions, as provided in the lease agreements, the Company has the option to purchase these plants and facilities for amounts which will be sufficient to redeem and retire all outstanding bonds. These transactions and certain others are being treated for accounting and tax purposes as though the facilities were constructed and owned by the Company. Annual lease payment requirements approximate $4,500,000 from 1973 through 1993. The principal amounts of lease payments due within one year are $2,037,000 and $1,892,000 at December 31, 1972 and 1971, respectively, and are included in notes and loans payable.

DART INDUSTRIES, INC. (DEC)

	1972	1971
PROPERTIES:		
Properties owned	$300,372,000	$273,375,000
Properties leased from others	18,432,000	18,953,000
Total properties	**$318,804,000**	**$292,328,000**
CURRENT LIABILITIES:		
Current instalments of discounted rental obligations	$1,340,000	$988,000
DISCOUNTED RENTAL OBLIGATIONS LESS CURRENT INSTALMENTS	19,327,000	20,675,000

Notes to Financial Statements

Properties Leased From Others—Dart has recorded as assets the cost of certain properties leased from others. The related discounted lease obligations are set forth separately in the accompanying balance sheet. Dart has no legal responsibility for payments under the terms of any of these leases except for rent, insurance, taxes and maintenance.

These lease obligations are payable approximately $2,000,000 annually until 1977, then decreasing and continuing at lesser amounts thereafter to 1993. Rentals payable under other leases are shown in a following Note.

ELECTRIC HOSE & RUBBER COMPANY (AUG)

	1972	1971
Long-term debt less amounts due within one year—Note 2	$5,704,300	$6,393,100

Note (2): Long-term Debt

	1972	1971
Industrial revenue bonds	$ 925,000	$1,000,000
Notes payable to banks	5,400,000	6,000,000
Mortgage payable	68,100	76,300
	6,393,100	**7,076,300**
Less amounts due within one year	688,800	683,200
Long-term debt—less current portion	**$5,704,300**	**$6,393,100**

In 1971, the Company arranged with the City of McCook, Nebraska, for the construction, financing and lease to the Company of a manufacturing plant facility at McCook, Nebraska. Construction began in July 1971 and was completed in November 1971. The financing was accomplished on July 1, 1971 by the sale of $1,000,000 of industrial revenue bonds. The bonds bear interest at 6.0% to 6.5% per annum and mature serially in progressive annual amounts ranging from $80,000 in 1973 to $130,000 in 1981. The payments to be made by the Company are in amounts equal to principal and interest payments on the bonds through 1981. The issue is secured by the assignment of the lease and a mortgage indenture on the McCook property, plant and equipment. The lease provides that upon the payment of all the outstanding industrial revenue bonds the McCook property, plant and equipment will be conveyed to the Company for $1. In accordance with generally accepted accounting principles for such leases the entire transaction has been treated as a project constructed and owned by the Company with the related lease commitment being recorded as long-term debt—industrial revenue bonds.

The notes payable to banks at August 31, 1972 and 1971, respectively, bear interest at 1.25% above prime and are payable in installments of $150,000 quarterly with a provision for acceleration of payments effective August 31, 1972 to the extent of 30% of net income less cash dividends.

The agreements relating to the industrial revenue bonds and the notes payable to banks include provisions for events of default relating to working capital, debt limits and the payment of dividends. Under the most restrictive covenants of these agreements, cash dividends cannot be declared by the Company unless the net worth of the Company is at least equal to 200% of its long-term debt and, furthermore, cash dividends in any fiscal year subsequent to August 31, 1971 are limited to 60% of net earnings in such year.

The mortgage bears interest at the rate of 6% and is payable monthly in the amount of $1,100, including interest, with final payment due September 1981.

Maturities for all long-term borrowings for the years ending August 31, 1974 through 1977 are as follows: 1974—$694,400; 1975—$699,900; 1976—$705,600; 1977—$711,400.

THE MOHAWK RUBBER COMPANY (DEC)

	1972	1971
Long-term debt, less current portion—Note B	$35,444,219	$25,398,421

Note B (in part): Long-Term Debt—Long-term debt at December 31 consisted of the following:

	1972	1971
Notes payable to insurance company (unsecured)	$12,000,000	$ 3,905,000
4½% convertible subordinated debentures, due August 15, 1983	1,113,000	1,222,000
Long-term lease agreements	14,773,333	10,413,333
Notes under revolving credit agreement, due March 1, 1975	8,000,000	10,000,000
Other	444,133	640,939
	36,330,466	**26,180,372**
Less current portion	(886,247)	(781,951)
Total long-term debt	**$35,444,219**	**$25,398,421**

The Company is a party under two long-term lease agreements with two industrial development authorities who issued revenue bonds and constructed production facilities for the Company. On November 1, 1972, under a second Supplemental Indenture of Mortgage, $4,600,000 of additional bonds were issued by one of the authorities to provide funds to expand the Salem, Virginia production facility. The Company is to make rental payments sufficient to pay the interest (5.25% to 7.25%) and debt retirement requirements under all indentures of mortgage covering the bond issues. Such payments will aggregate approximately $1,200,000 annually. The Company may purchase each facility for a nominal amount after payment of an amount sufficient to retire all the outstanding bonds in accordance with the provisions of the indentures. These transactions have been treated as purchases for both financial statement and federal income tax reporting.

NATIONAL STEEL CORPORATION (DEC)

LONG-TERM DEBT—NOTE C	
First Mortgage Bonds and secured notes	$296,786,000
Capitalized lease obligations	67,235,000
Convertible subordinated debentures	29,989,000
Other	18,093,359
Total Long-Term Debt	**$412,103,359**

Note C (in part): Long-Term Debt and Guarantees—The Corporation and an associated company have leased a primary aluminum reduction plant which was constructed with proceeds from industrial building revenue bonds. The Corporation's share (50%) of the lease on this facility is being accounted for as a purchase for financial statement and tax purposes. The lessees, which are jointly and severally liable, have an option to purchase the facility at any time during the term of the lease for an amount sufficient to retire the outstanding bonds or for a nominal amount at the end of the lease period. The Corporation's annual payments of approximately $5,550,000 through 1993 are equivalent to its proportionate share of annual principal payments on the bonds plus interest thereon ranging from 4.5% to 5.375%.

THE WURLITZER COMPANY

LONG-TERM LIABILITIES, ETC.:	
Notes payable (Note 2)	$11,931,600
Lease obligations (Note 2)	4,504,671

Note 2: Long-Term Liabilities—Long-term notes payable at March 31, 1972 consist of the following:

6⅛% notes payable to The Prudential Insurance Company of America	$11,300,000
6¾% mortgage note of German subsidiary, due serially to 1981	631,600
Total	**$11,931,600**

The 6⅛% notes payable to The Prudential Insurance Company of America (less $800,000 classified as a current liability) require an installment of $800,000 in 1974; annual installments of $1,000,000 from 1975 to 1981, inclusive; and a final installment of $3,500,000 in 1982. Under the terms of the agreement with Prudential, the Company has agreed, among other things, not to pay or declare any dividend (other than dividends payable solely in stock) or make any other distribution on account of its stock, or redeem, purchase, or otherwise acquire any shares of its stock except out of consolidated net earnings as defined. At March 31, 1972, $19,643,000 of retained earnings was so restricted.

The 6% note of the German subsidiary is collateralized by a mortgage on one of the German plants and is payable in 16 equal semiannual installments beginning June 30, 1974.

Lease obligations (under lease agreements accounted for as installment purchases of property) require payments plus interest at 2¾% to 7⅞% as follows:

1974	$ 301,254
1975	305,261
1976	269,789
1977	274,789
1978 to 1981	1,065,578
1982 to 1986	1,106,000
1987 to 1991	1,182,000
Total	**$4,504,671**

Leases Not Capitalized

ALBERTSON'S, INC. (JAN)

Notes to Consolidated Financial Statements

Commitments and Contingent Liabilities—At February 3, 1973, the Company was committed under contracts and purchase orders for expenditures of approximately $7,065,000 for Property Held for Resale or for Land, Buildings and Equipment. In addition the joint venture was committed for expenditures of approximately $1,733,000 for the purchase of equipment.

Substantially all the stores and certain other properties operated by the Company are leased. The leases, expiring at various dates to 2000, require minimum annual rentals as follows:

Period	Minimum Annual Rentals
1973	$ 8,489,000
1974	8,244,000
1975	7,939,000
1976	7,724,000
1977	7,517,000
1978-1982	34,312,000
1983-1987	27,939,000
1988-2000	24,857,000

Most of these leases also require payment of property taxes and insurance and some provide for additional rentals if sales exceed specified amounts.

The Company has subleased certain of the above properties to various tenants. These subleases, expiring at various dates to 1997, call for minimum annual rentals of approximately $1,090,000. This rental income reduces the cost to the Company of the gross annual rentals described above. This reduced cost was $8,321,676 in 1972 and $7,252,952 in 1971.

INSILCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 14: Leases—At December 31, 1972 the Company was committed under leases having an initial term of one year or more expiring on various dates to 2001. Annual rentals under the terms of such leases range from $2,661,000 to $2,309,000 during the next five years. Average annual rentals in each subsequent five year period are estimated as follows:

Period	Average Annual Rentals
1978-1982	$1,888,000
1983-1987	$1,500,000
1988-1992	$1,190,000
1993-1997	$ 854,000
Remaining years	$ 392,000

Rental expense under such long-term leases aggregated $2,655,000 in 1972 and $1,160,000 in 1971. Rental expense under all other leases aggregated $1,464,000 in 1972 and $1,613,000 in 1971.

In 1971, the Company sold and leased back certain manufacturing facilities having an aggregate undepreciated cost of $12,532,000. The excess ($990,000) of sales proceeds over cost has been included in deferred credits and is being amortized against rental expense over the lease terms of from 15 to 30 years.

JEWEL COMPANIES, INC. (JAN)

Notes to Financial Statements

Lease Commitments—Rentals for leased real properties, primarily retail locations (excluding those leased from real estate affiliates), were $21,298,000 in 1972 and $18,270,000 in 1971 including rentals based on sales where applicable. As of February 3, 1973, such leases call for minimum annual payments as follows:

Year	Amount ($ thousands)	Years	Amount ($ thousands)	
1973	$19,763	1978-'82	$15,252	per year
1974	19,266	1983-'87	10,746	per year
1975	18,338	1988-'92	5,157	per year
1976	17,534	1993 and		
1977	16,055	thereafter	647	per year

The present value (debt content) of these commitments amounts to approximately $110,000,000. This liability was determined by discounting, at a 7.5% rate, the aggregate commitments under net leases and 75% of aggregate commitments under gross leases. (Approximately 25% of gross lease rentals cover real estate taxes, maintenance and insurance costs borne by landlords, which costs are assumed by Jewel under net leases.) There are no substantial equipment lease commitments.

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

Notes to Financial Statements

Note 12: Contingent Liabilities and Commitments—In addition to commitments in the ordinary course of business, the Company is contingently liable under lawsuits and claims for substantial amounts. In the opinion of counsel and management of the Company, the amounts, if any, that may ultimately be paid are not expected to have a material effect on the Company's financial position.

At December 30, 1972, the Company was obligated under a noncancellable lease expiring in 2060 covering studio property, that provides for net annual rentals of $1,500,000 (aggregating $131,000,000 over the remaining term).

Other noncancellable leases on real property that expire between 1973 and 2048 provide for aggregate rentals of approximately $15,400,000. Approximate average minimum annual rentals subsequent to 1972 on these leases follow:

Years	Amount ($ thousands)
1973	1,768
1974	1,519
1975	1,289
1976	1,091
1977	928
1978-'1982	605
1983-2048	88

Rent expense under cancellable and noncancellable leases, including charges to film inventories, amounted to approximately $3,600,000 in 1972 and $3,900,000 in 1971.

UNIROYAL, INC. (DEC)

Notes to Financial Statements

Lease Commitments and Contingencies— Total rentals charged to operations amounted to $45,212,000 for 1972 and $41,851,000 for 1971.

Minimum annual rentals payable in each of the next five years under leases with a remaining noncancellable term of more than one year from December 31, 1972 are: 1973, $27,000,000; 1974, $26,000,000; 1975, $23,000,000; 1976, $16,000,000; and 1977, $15,000,000. These leases extend for varying periods of time up to 28 years and, in most cases, contain renewal and purchase options. They generally provide that the Company shall pay for utilities, insurance, taxes and maintenance.

The major long term leases include a tire plant in the City of Opeliko, Ala. and a facility at Middlebury, Conn., that houses the administrative offices, research facilities and a large computer center. The present value as of December 31, 1972 of the aggregate net fixed commitments under major long term leases based on applicable interest rates in effect at the time of entering into the leases is approximately $95,000,000.

The company is contingently liable, as of December 31, 1972, as a guarantor of $19,207,000 of outstanding indebtedness of domestic and foreign affiliated companies whose assets and liabilities are not consolidated in the Company's balance sheet.

Sale—Leaseback

BEATRICE FOODS CO. (FEB)

Notes to Consolidated Financial Statements

Note 7: Sale-and-Leaseback Transactions—During the year ended February 29, 1972, the Company sold and leased back certain operating properties. The excess of the proceeds ($13,050,755) over the net book value of the properties sold ($5,599,954) has been deferred and will be credited to rental expense over the terms of the related leases. The unamortized balance of such deferred gains, including those which arose in prior years, aggregated $24,146,745 at February 29, 1972 ($17,429,223 at February 28, 1971) and is included in deferred credits in the accompanying balance sheet.

GIDDINGS & LEWIS, INC. (DEC)

DEFERRED ITEMS;		
Gain on disposal of property (Note 3)	$708,000	--

Note 3 (in part): Property Held for Sale—The Company entered into a sale-and-lease-back transaction with respect to certain property located in Madison, Wisconsin. The portion of the gain thereon, which approximates the future rental payments, has been deferred and will be reflected as a reduction of rental expense over the terms of the leases (2 to 10 years).

NATIONAL TEA CO. (MAR)

Notes to Consolidated Financial Statements

Sale and Leaseback—During the year, the company sold for $2,500,000 and leased back one of its warehouse facilities; a gain of $1,160,000 was realized. This gain and a similar gain realized in 1971 on a sale and leaseback transaction are being amortized to income, net of applicable income taxes, over the lease terms.

F. W. WOOLWORTH CO. (DEC)

Notes to Consolidated Financial Statements

Note 8 (in part): Long-Term Leases—During 1972 and 1971 several properties consisting of land and store buildings were sold and leased back under long-term leases. The net proceeds received amounted to $9,555,000 and $17,558,000, respectively; no gains or losses were realized on these transactions.

TABLE 2-42: DEFERRED TAXES

	1972	1971	1970	1969
Noncurrent liability only	334	360	360	370
Noncurrent liability and current asset	56	42	38	26
Noncurrent liability and current liability	55	41	40	29
Current liability or current asset only	36	28	25	36
Noncurrent asset only	24	18	19	22
Noncurrent asset and current liability or asset	10	15	14	17
Other presentations	34	26	20	20
Total companies disclosing a balance sheet amount for deferred taxes	**549**	**530**	**516**	**520**

DEFERRED TAXES

Paragraph 12 of APB *Opinion No. 11*— 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.

Balance sheet presentations of deferred taxes are summarized in Table 2-42. Of the companies presenting deferred taxes as a noncurrent liability 270 used the caption *Deferred Federal Income Taxes* and 97 used the caption *Deferred Income Taxes*. Examples of the manner in which deferred taxes were disclosed and presented in financial statements follow. Reasons for timing differences which give rise to deferred taxes are detailed in Table 3-17.

Noncurrent Liability

BROCKWAY GLASS COMPANY, INC. (DEC)

Consolidated Balance Sheet

	1972	1971
Long-term debt, less current maturities	$28,818,500	$22,131,500
Deferred income taxes—net (Note 4)	6,767,244	5,935,040

Consolidated Statement of Income

Income before income taxes	$27,983,876	$26,726,308
Provision for income taxes (Note 2)	13,407,400	13,385,530
Net Income	**$14,576,476**	**$13,340,778**

Note 2: Income Taxes—The provision for income taxes shown on the consolidated statement of income is as follows:

	1972	1971
Computed tax	$14,209,100	$13,555,100
Less: Investment tax credit	801,700	169,570
Tax provision	**13,407,400**	**13,385,530**
Tax effect of current timing differences reflected in deferred income taxes	832,204	1,009,402
Portion estimated payable	**$12,575,196**	**$12,376,128**

No provision is made for additional taxes which might be payable if undistributed earnings of the consolidated subsidiaries were paid as dividends to the parent company inasmuch as such earnings have been and will be reinvested in the businesses. At December 31, 1972, undistributed earnings of consolidated subsidiaries totaled $2,524,000.

Note 4: Deferred Income Taxes—Net—The Company uses deferred tax accounting for all material areas of divergence between book and tax income. The deferred income taxes shown on the consolidated balance sheet consist of the following:

	1972	1971
Deferred income taxes which will be payable in future years when annual depreciation for tax purposes is less than the straight-line depreciation provided in the financial statements	$7,782,616	$6,621,676
Tax effect of costs and losses recorded in the financial statements not yet deductible for tax purposes	(1,015,372)	(686,636)
Totals	**$6,767,244**	**$5,935,040**

KUHLMAN CORPORATION (DEC)

Balance Sheet

CURRENT LIABILITIES:	
Current maturities of long-term debt	$ 725,000
Notes payable to banks	1,400,000
Accounts payable and accured liabilities	4,848,916
Federal income taxes payable	658,750
Dividends payable	169,608
Total current liabilities	**7,802,274**
Deferred income taxes (Note 1)	1,030,000

Statement of Earnings

Earnings before provision for income taxes and extraordinary credits	$2,748,788
Provision for Federal and State income taxes (including deferred taxes of $99,000 in 1972 and $49,000 in 1971) (Note 1)	1,350,000
Earnings before extraordinary credits	**$1,398,788**

Note 1 (in part): Deferred Income Taxes—Certain income and expense items are recognized in one period for financial accounting purposes and in another period for income tax reporting purposes. Deferred taxes are provided in the financial statements to compensate for these timing differences. The principal items of difference giving rise to income tax allocations result from:

a. The straight-line method of computing depreciation is used for accounting purposes on all additions to plant and equipment while the declining balance method is used for tax purposes.

b. Gains from the sale of certain real estate in 1972 and 1971 have been recognized for book purposes in the year sold. For tax purposes these gains are being reported under the installment method. These gains less applicable income taxes of $55,000 in 1972 and $71,000 in 1971 have been reflected as extraordinary credits in the statement of earnings.

Following is a summary of the deferred income tax account for the year ended December 31, 1972:

Balance beginning of year	$1,070,000
Add (Deduct)–	
Current year provision from operations	99,000
Provision on extraordinary credit	55,000
Transferred to Federal income taxes payable	(194,000)
Balance end of year	**$1,030,000**

MARYLAND CUP CORPORATION (SEP)

Consolidated Statement of Financial Position

	1972	1971
Long-term liabilities	$46,169,543	$57,262,980
Deferred income taxes (Note 5)	9,292,000	9,171,028

Consolidated Statement of Operations

Provision for federal and state taxes on income (Note 5)	8,323,654	5,932,867

Note 5: Income Taxes—

	($ Thousands)	
	1972	**1971**
Provision for federal and state income taxes:		
Currently payable	$8,202	$5,562
Deferred	12	370
	$8,323	**$5,932**

A summary of income taxes deferred to future years follows:

	Balance October 1, 1971	Provision	Balance Sept 30, 1972
Tax effect of excess of tax over book depreciation	$6,956	$250	$7,206
Tax effect of unfunded pension costs	(173)	(198)	(371)
Tax effect of gain on repurchase of 5.8% sinking fund debentures		52	52
Investment credit	2,388	17	2,405
	$9,171	**$121**	**$9,292**

The provision for deferred investment credit represents 1972 investment credit of $515,364 less $498,361 amortization of prior years.

Current Asset and Noncurrent Liability

BAKER OIL TOOLS, INC. (SEP)

Consolidated Statement of Financial Position

	($ Thousands)	
CURRENT ASSETS:		
Future income tax benefits (Note 3)	$1,265	$1,378
LIABILITIES:		
Total current liabilities	$21,846	$22,983
Long-Term Debt	30,721	25,900
Deferred income taxes (Note 3)	2,264	1,580

Note 3: Taxes Based On Income—The future income tax benefits and deferred tax liability at September 30, 1972 and 1971 result primarily from timing differences between the financial and tax reporting of depreciation, inventory obsolescence and United States income taxes on foreign earnings. The net deferred tax provision for the years ended September 30, 1972 and 1971 totaled $797,000 and $90,000, respectively.

The total provision for taxes based on income, as a percentage of pre-tax income, fluctuates from customary effective tax rates due primarily to changing levels of earnings applicable to foreign operations subject to lower tax rates and the reduction of the provision to reflect investment tax credits ($347,000 and $22,000 for 1972 and 1971, respectively) accounted for by using the flow through method.

The Company has provided for taxes on all contemplated repatriations of earnings applicable to foreign operations. At September 30, 1972, foreign earnings which have not been repatriated aggregated $11,609,000 (net of foreign taxes paid on such earnings of $4,428,000). The Company has provided an aggregate of $1,178,000 for United States income taxes on foreign earnings not repatriated and in general, is entitled to a credit against United States income taxes equivalent to foreign taxes paid.

JOY MANUFACTURING COMPANY (SEP)

Consolidated Balance Sheet

CURRENT ASSETS		
Cash and short-term securities	$ 7,769,000	$ 6,400,000
Receivables, less allowance for doubtful accounts of $1,498,000 and $1,503,000	68,396,000	67,319,000
Unbilled sales on long-term contracts	8,423,000	3,476,000
Refundable income taxes	3,557,000	
Inventories	100,656,000	108,562,000
Prepaid expenses	1,171,000	1,383,000
Accumulated income tax prepayments	2,383,000	4,060,000
Total Current Assets	**$192,355,000**	**$191,200,000**
NONCURRENT LIABILITIES		
Long-term debt	$41,533,000	$44,608,000
Accrued employee benefits	1,433,000	1,244,000
Accumulated income tax reductions	2,954,000	2,079,000
Deferred translation gain		484,000
Total Noncurrent Liabilities	**$45,920,000**	**$48,415,000**

Consolidated Statement of Income and Retained Earnings

Expenses		
Cost of sales, excluding depreciation	$236,850,000	$210,817,000
Depreciation	6,347,000	6,179,000
Selling, development, administrative and general	55,698,000	52,013,000
Interest net	2,741,000	3,191,000
Provision for income taxes	10,292,000	15,696,000
Total Expenses	**$311,928,000**	**$287,896,000**

Accounting Policies

Income Taxes— The Company follows the practice of recognizing the tax effects of transactions in the year in which such transactions enter into the determination of net income, regardless of when they are recognized for tax payment purposes. As a result, charges and credits are made to the income statement for transactions which may result in future tax benefits or future tax liabilities. The balance sheet caption "accumulated income tax prepayments" primarily pertains to intercompany profits in inventories and allowances for inventory obsolescence reduced by future tax liabilities arising from the operations of Joy Export Company, a Domestic International Sales Corporation; "accumulated income tax reductions" principally relate to depreciable plant and equipment reduced by future tax benefits for accrued employee benefits.

Provision is made for additional taxes that might result from the distribution to the parent company of retained earnings of consolidated foreign subsidiaries and equity companies, in accordance with the prevailing policy of distribution for each entity.

Notes to Consolidated Financial Statements

Income Taxes— Income tax provisions are shown below:

	1972	1971
Current:		
Federal	$ 4,544,000	$10,822,000
State and foreign	3,196,000	5,388,000
	7,740,000	**16,210,000**
Tax effects of timing differences	2,552,000	(514,000)
	$10,292,000	**$15,696,000**

Income tax provisions for fiscal 1972 include the benefits derived from the operations of Joy Export Company.

Undistributed earnings of foreign subsidiaries amounting to $27,561,000 at September 29, 1972 are considered by management to be permanent business requirements of the subsidiaries under present circumstances; consequently, no provision has been made for the additional taxes which might result if these undistributed earnings were remitted to the parent company.

Refundable income taxes represent payments made in 1972 in excess of federal tax liabilities.

Federal income tax returns through 1965 have been settled. Management believes that adequate tax accruals have been provided for all years subsequent to fiscal 1965.

NORTH AMERICAN ROCKWELL CORPORATION (SEP)

	1972	1971
CURRENT ASSETS:		
Deferred United States income taxes	$17,087,000	$9,674,000
OTHER LIABILITIES:		
Deferred United States and foreign income taxes	$31,955,000	$25,775,000

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (in part)— Income Taxes— Taxes are provided, at appropriate rates, 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 installment sales, depreciation, property taxes, product warranties, commercial aircraft development costs, and equity in undistributed earnings of affiliates. Investment tax credits are recognized in the year the assets which give rise to the credits are placed in service.

Note 12: United States and Foreign Income Taxes—United States and foreign income taxes are summarized as follows:

	1972	1971
Current tax, before investment credits	$61,343,000	$59,546,000
Investment credits	(4,423,000)	(711,000)
Deferred tax – net	(1,233,000)	(1,336,000)
Total expense	**$55,687,000**	**$57,499,000**

Current and Noncurrent Liability

THE AMERICAN SHIP BUILDING COMPANY (SEP)

Consolidated Balance Sheet

CURRENT LIABILITIES:	
Deferred Federal income taxes (Note 2)	$2,830,000
LONG-TERM LIABILITIES:	
Deferred Federal Income taxes (Note 2)	1,717,000

Consolidated Statements of Income

COSTS AND EXPENSES	
Provision for Federal and state income taxes (Note 2)–	
Currently payable	$2,057,000
Deferred	467,000

Note 2: Federal Income taxes— The amount reflected in the accompanying balance sheet as current deferred Federal income taxes, $2,830,000, represents the net effect of claiming certain deductions for tax purposes in different periods than reflected in the Company's financial statements. The noncurrent deferred Federal income taxes represent the taxes deferred as a result of using accelerated depreciation methods for tax purposes and principally straight-line methods for financial reporting purposes.

During 1972, the Company entered into an Interim Capital Construction Fund Agreement with the U.S. Maritime Administration pursuant to the Merchant Marine Act of 1936, as amended. Under the Agreement, the Company has made or will make deposits into its capital construction fund to be used for the acquisition, construction and reconstruction of vessels. As permitted by the Merchant Marine Act, the Company, in computing taxable income for the year ended October 1, 1972, deducted an amount equal to these deposits. As a result, provision for income taxes of approximately $750,000, otherwise payable for the year then ended, has been eliminated. No provision has been made for deferred income taxes with respect to this amount because Accounting Principles Board Opinion No. 23, indicates that it does not apply to such transactions.

The Company follows the "flow-through" method of accounting for the job development investment tax credit, and accordingly, applied approximately $80,000 of investment tax credit as a reduction in the provision for Federal income taxes in 1972, and none in 1971.

MARSHALL FIELD & COMPANY (JAN)

Consolidated Balance Sheet

CURRENT LIABILITIES:	
Accounts payable	$22,518,850
Accrued income taxes–	
Current	8,251,226
Deferred (net), including deferral for income on uncollected installment sales	7,365,127
Other accrued liabilities	32,372,353
Current maturities of long-term debt	1,450,930
Total Current Liabilities	**$71,958,486**
LONG-TERM DEBT, LESS CURRENT MATURITIES:	
3¾% notes, payable $800,000 annually in 1974-1981 and $15,000,000 in 1982	$21,400,000
4%-8% installment notes and bonds, payable 1974-1995	5,036,633
Total Long-term Debt	**$26,436,633**
Deferred Income Taxes, arising from accelerated depreciation	$ 3,316,864

Consolidated Statement of Income and Retained Earnings

Income taxes (including net deferred taxes of $1,503,000)	$20,106,000

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Deferred Income Taxes—The Company provides currently for income taxes applicable to all items included in the income statement regardless of when such taxes are payable. Deferred income taxes on the balance sheet arise primarily from deferred income on uncollected installment sales and accelerated depreciation.

U.S. INDUSTRIES, INC. (DEC)

Consolidated Balance Sheets

	1972	1971
	(000 omitted)	
CURRENT LIABILITIES		
Notes payable for borrowed money	$ 54,684	$ 59,558
Accounts payable	116,642	101,087
Accrued expenses	42,536	34,604
Other liabilities	38,203	23,116
Federal and foreign income taxes (including deferred taxes: 1972–$9,673,000; 1971–$7,700,000)–Note G	13,144	18,699
Portion of long-term debt due within one year	19,183	19,840
Total current liabilities	**284,392**	**256,904**
Long-term debt	206,394	192,232
Deferred income taxes–Note A	25,105	18,840
Minority interest	5,394	3,984

Consolidated Statements of Income

Provision for income taxes–Note G	$ 58,137	$ 58,130

Note A (in part): Deferred Income Taxes—Deferred income taxes result primarily from the use of different methods for recording depreciation and amortization, long-term construction contract revenues and installment sales for financial statement purposes from those used for tax purposes.

Note G: Income Taxes—The provision for income taxes includes (a) foreign taxes of $6.5 million in 1972 and $6.6 million in 1971, and (b) deferred federal taxes of $8.1 million and $5.2 million in 1972 and 1971, respectively. Investment credits realized of $2.7 million in 1972 and $900 thousand in 1971 have been applied as a reduction of the respective tax provisions. The provision for income taxes for 1972 also reflects the effect of differences between tax and book basis of assets sold and income taxable at capital gains rates.

The Corporation has not provided taxes which would be payable if the undistributed earnings of foreign subsidiaries were to be remitted, since it intends to reinvest these earnings in the businesses. Consolidated retained earnings at December 31, 1972 includes approximately $33 million of such undistributed earnings.

The Internal Revenue Service has examined the Corporation's federal income tax returns for 1961-1968 and proposed assessments for additional taxes. The Corporation has filed a protest. The ultimate resolution of the issues is not likely to have a material effect on the Corporation's financial condition.

Current Liability

LOCKHEED AIRCRAFT CORPORATION (DEC)

Consolidated Balance Sheet

CURRENT LIABILITIES:	
Federal income tax (Note 4):	
Current	$ 650,000
Deferred	65,079,000

Consolidated Earnings and Retained Earnings

Earnings before Federal income tax and extraordinary gain	$27,734,000
Provision for deferred federal income tax (Note 4)	14,700,000
Earnings before extraordinary gain	**$13,034,000**

Summary of Significant Accounting Policies

Income Taxes – Book and Tax Accounting Differences— General and administrative expenses are taken as a deduction in the year incurred for tax purposes, but included in inventory for book purposes to the extent allocable to U.S. and foreign governments fixed price contracts;

Development and planning costs applicable to commercial aircraft are deducted in the year incurred for tax purposes, but included in inventory for book purposes and amortized over the current year's deliveries and estimated remaining airplanes to be delivered under the program.

Tooling, production and other recurring costs (including costs to complete) applicable to commercial aircraft are amortized over current year's deliveries and remaining firm orders for tax purposes. For book purposes, such costs are amortized over the current year's deliveries and estimated remaining airplanes to be delivered under the program.

Contracts for heavy construction are accounted for on a completed contract basis for tax purposes, but on a percentage of completion method for book purposes.

Shipbuilding contracts are accounted for on a completed contract basis for tax purposes, but on a delivery method for book purposes.

Notes to Financial Statements

Note 4: As a result of book-tax accounting differences, the Company had taxable losses in 1972 and 1971 and deferred taxes were increased.

There is an operating loss carryforward available to offset taxable income of future years but it is exceeded by the future taxable income that will result from reversals of book-tax differences. Hence, none of the tax basis loss carryforward is available to offset any book income which may be recorded in future years.

Unused investment tax credits of approximately $21,000,000 are availabe for reduction of future taxes of which $7,900,000 was recorded as a reduction of deferred taxes in 1969. The balance will be applied as a reduction of federal income tax provisions in future years as such credits are realized. The realization of these investment tax credits is dependent upon future taxable income. The credits expire in varying amounts from 1978 to 1980.

Noncurrent Asset

FOOTE MINERAL COMPANY (DEC)

Consolidated Balance Sheets

	1972	1971
ASSETS:		
Total current assets	$50,597,588	$54,956,370
Deferred income taxes (notes 1 and 5)	1,229,466	--
LIABILITIES AND STOCKHOLDERS' EQUITY		
Total current liabilities	$19,221,896	$20,897,366
Deferred income taxes (notes 1 and 5)	--	5,714,711

Statements of Consolidated Operations

FEDERAL AND STATE INCOME TAX PROVISION (RECOVERY) (NOTES 1 AND 5):		
Current	$ (252,000)	$1,484,000
Deferred	(75,000)	249,000
Investment credit	(49,000)	(49,000)
	$ (376,000)	**$1,684,000**

Notes to Financial Statements

Note 1 (in part): 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 and extended vacation benefits not currently tax deductible. The investment tax credit, to the extent allowable, is applied as a reduction of the provision for income taxes. The Company is amortizing credits deferred prior to 1967 over the estimated lives of the related assets.

Note (5): Income Taxes— Recovery of Federal Income taxes consists of the following:

	1972	1971
Carryback of net operating loss to 1969 ..	$465,000	--
Overpayment of estimated income taxes ..	140,000	230,000
Utilization of investment credit carryover .	--	445,000
	$605,000	**675,000**

The tax effect of noncurrent timing differences is included in deferred income taxes on the balance sheet as shown below:

	1972	1971
Deferred taxes payable in future years relating principally to accelerated depreciation and capitalized start-up costs.	$ 5,639,711	5,714,711
Tax effect of costs and losses relating to discontinuance of operations recorded in the financial statements not yet deductible for tax purposes.	(4,492,000)	--
Elimination of deferred taxes no longer required – provided in prior years on facilities to be discontinued	(1,777,000)	--
Reclassification of certain Federal income tax benefits	(600,177)	--
	$(1,229,466)	**5,714,711**

The provision for (recovery of) Federal and State income taxes does not bear the customary relationship to earnings before income taxes because of a permanent difference between book and tax income representing percentage depletion allowances.

Deferred investment credits relating to periods prior to 1967 are being amortized in annual amounts of $49,000. The unamortized portion of the deferred investment credit at December 31, 1972 will be amortized during 1973 and 1974.

Current and Noncurrent Asset

AMERICAN STANDARD INC. (DEC)

Consolidated Balance Sheet

	1972	1971
	($ thousands)	
ASSETS		
Current assets		
Cash	$ 34,638	$ 43,388
Accounts receivable, less allowances—1972, $9,452; 1971, $10,791	226,095	246,829
Inventories	282,641	336,022
Future income tax benefits – net	32,478	28,132
Other current assets	10,142	11,743
Total current assets	**585,994**	**666,114**
FUTURE INCOME TAX BENEFITS - NET ..	9,436	21,570

Consolidated Statement of Income

Income before taxes on income	$55,203	$33,200
Taxes on income (including deferred taxes of $7,788 in 1972 and $1,673 in 1971) ..	27,600	15,700
	$27,603	**$17,500**

Notes to Consolidated Financial Statements

Accounting Policies (in part): 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 $10.8 million in 1972 and $10.0 million in 1971. Such tax credits are primarily due to tax depreciation deductions in excess of depreciation reported in the financial statements.

Current future tax benefits represent the tax effects of income and expense items included in the determination of pre-tax income for financial statement purposes from transactions which will be reported for tax purposes in later years. Reinvested earnings of foreign subsidiaries included in consolidated earned surplus at December 31, 1972 amounted to approximately $60 million. These earnings are indefinitely reinvested in foreign operations; accordingly, no provision has been made for taxes that might be payable upon their remittance.

MINORITY INTERESTS

All but 16 of the 202 survey companies indicated in Table 2—43 as disclosing a balance sheet amount for minority interest used the term *minority.* Income statement presentations of minority interest are summarized in Table 3—23. Examples of the manner in which financial statements presented and disclosed minority interest follow.

AMERICAN BRANDS, INC. (DEC)

Consolidated Balance Sheet

	($ thousands)
Total current liabilities	$ 453,503
Long-term debt	441,171
Deferred income taxes and other deferred credits	25,667
Minority interest in consolidated subsidiaries	105,243
Total liabilities	**$1,025,584**

Consolidated Statement of Income and Retained Earnings

Income before minority interest	$137,844
Minority interest in earnings of subsidiaries	14,554
Net income	**$123,300**

TABLE 2-43: MINORITY INTEREST — BALANCE SHEET PRESENTATION

	1972	1971	1970	1969
Amount of minority interest disclosed	203	197	187	187
Minority interest indicated but amount not disclosed	25	26	17	22
No indication of minority interest	361	364	379	368
Statements not consolidated	11	13	17	23
Total	**600**	**600**	**600**	**600**

THE BENDIX CORPORATION (SEP)

Consolidated Balance Sheet

	($ millions)
Long-term debt	$195.7
Deferred income taxes	19.2
Minority interests	50.2

Consolidated Statement of Income

DEDUCTIONS FROM INCOME:	
Cost of sales	$1,378.7
Selling, service, patent, and administrative and general expenses	216.6
Provision for depreciation, depletion, and amortization	45.6
Interest expense	23.4
Other expenses	.6
Minority interests in earnings of subsidiaries	4.3
Provision for United States and foreign taxes on income	53.3
Total	**$1,722.5**

BIRD & SON, INC. (DEC)

Consolidated Balance Sheet

	1972	1971
Long-term liabilities, portion due after one year	$1,616,000	$2,226,000
Deferred income taxes	3,743,000	3,499,000
Minority interest—Notes 1 and 2	---	2,113,000

Consolidated Statement of Earnings and Retained Earnings

OTHER INCOME (CHARGES):		
Interest expense	$(143,000)	$(380,000)
Interest income	251,000	197,000
Royalties	386,000	268,000
Miscellaneous (net)	(305,000)	(11,000)
Minority interest—Note 2	(34,000)	(161,000)
	$155,000	**$(87,000)**

Note 1: Accounting Policies—The Summary of Significant Accounting Policies contains a description of the accounting methods and practices that have an important impact on the companies' financial statements. This Summary can be found on page 8.

Note 2: Acquisition of Minority Interest in Bird Machine Company— On February 29, 1972, 150,000 shares of $2.75 convertible preference stock were issued to acquire, through a statutory merger, all of the business and assets of Bird Machine Company, subject to liabilities. This resulted in the company receiving 126,448 shares of the $2.75 convertible preference stock in exchange for the common stock of Bird Machine Company owned at that date. The preference stock so received was placed in Treasury. The acquisition was accounted for as a purchase and the excess of the book value of the minority interest acquired over the stated value of the $2.75 convertible preference stock issued to the minority shareholders, amounting to $606,000, has been credited against consolidated plant assets and is being amortized under the straight-line method over a 25 year period.

The minority interest in the earnings of Bird Machine Company for the two months ended February 29, 1972 has been included as a charge in the consolidated statement of earnings and retained earnings.

Summary of Significant Accounting Policies: Basis of Consolidation—The accompanying consolidated financial statements include the accounts of Bird & Son, Inc. and its wholly-owned subsidiary, Bird Machine Company, Inc., which was 84-percent owned at December 31, 1971—Note 2.

All material intercompany activity has been eliminated from the financial statements and the accounts of Bird Machine Company, Inc.'s wholly-owned Canadian subsidiary have been translated at the appropriate exchange rates.

FILTER DYNAMICS INTERNATIONAL, INC. (NOV)

Consolidated Balance Sheet

Long-term Debt (current portion included above)	$10,999,646
Deferred income taxes	416,000
Minority interest in subsidiary	528,730

Consolidated Statement of Income

Income before Minority Interest and Extraordinary Charges	$2,450,233
Less minority interest – preferred stock of subsidiary	24,403
INCOME FROM CONTINUING OPERATIONS	2,425,830
Loss of discontinued operations, net of taxes	321,433
INCOME BEFORE EXTRAORDINARY CHARGES	2,104,397
Extraordinary charges	483,949
NET INCOME	$1,620,448

Notes to Financial Statements

Note 1(in part): Principles of Consolidation— The consolidated financial statements include the accounts of the company and its subsidiaries which are all wholly owned except for a minority interest consisting of the entire issue of the nonvoting 5% cumulative preferred stock of a subsidiary of Battery Systems, Inc. All significant intercompany items have been eliminated in the consolidated accounts.

DANA CORPORATION (AUG)

Balance Sheet

Total current liabilities	$124,408,000
Deferred income taxes	15,571,000
Deferred compensation	4,074,000
Long-term debt	106,702,000
Minority interest in Hayes-Dana Limited	8,153,000

Statement of Income

COSTS AND EXPENSES	
Cost of sales	$684,203,000
Selling, general and administrative expenses	45,285,000
Interest expense	7,927,000
Minority interest in net income of Hayes-Dana Limited	1,190,000
	$738,605,000

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

Consolidated Balance Sheet

	($ thousands)
Long term debt	$784,426
Deferred income taxes	71,773
Minority equity in foreign subsidiary companies	30,361

Consolidated Income and Retained Earnings Statement

COST AND EXPENSES:	
Cost of goods sold	$2,853,612
Depreciation	146,034
Selling, administrative and general expense	662,918
Interest expense	73,909
United States and foreign income taxes	162,124
Minority equity in earnings of foreign subsidiary companies	4,156
	$3,902,753

MARTIN MARIETTA CORPORATION (DEC)

Balance Sheet

Total Current Liabilities	$153,671,000
Minority Interest	29,232,000

Statement Of Earnings

Earnings from Operations	$94,304,000
Other income	14,785,000
	109,089,000
Interest expense on debt	22,403,000
Taxes on income	32,900,000
Minority interest	319,000
Earnings before Extraordinary Credit	**$53,467,000**

Financial Review

Capital Structure (in part)—The minority interest was represented by 1,374,160 shares (17.3%) of the $1.00 par value common stock of Martin Marietta Aluminum outstanding at December 31, 1972, and at the prior year-end.

SAFEWAY STORES, INCORPORATED (DEC)

Consolidated Balance Sheet

LONG-TERM LIABILITIES AND RESERVES	
Notes and debentures payable	$128,122,582
Deferred income taxes	23,380,134
Minority interest in capital stock and retained earnings of subsidiaries:	
Preferred stock of Canadian subsidiary	4,514,400
Overseas subsidiary	57,058
Reserve for self-insurance	6,931,339
	$163,005,513

Statement of Consolidated Income and Retained Earnings

DEDUCTIONS	
Interest expense	$ 9,559,702
(Gain) loss on disposition of fixed assets	(133,383)
Dividends on preferred stock of Canadian subsidiary	198,634
Amortization of excess cost of investments in subsidiaries	217,815
Minority interest in earnings of overseas subsidiary .	7,311
Other charges (net)	249,451
	$10,099,530

SMC INDUSTRIES, INC. (AUG)

Consolidated Balance Sheet

Total long-term debt	$906,192
Minority interest (Note 7)	66,556

Consolidated Statement of Income

Income before minority interest and extraordinary items	$735,690
Minority interest in income of subsidiary	16,686
Income before extraordinary items	**$719,004**

Note 7: Minority interest—The minority interest represents approximately 15% of the net book value of Colony House, Inc.

STRUTHERS WELLS CORPORATION (NOV)

Consolidated Balance Sheet

Long-term liabilities—Net of current portion	$9,181,118
Minority interests in subsidiaries	521,353

Consolidated Statement of Operations and Deficit

COSTS AND EXPENSES	
Cost of sales	$22,555,372
Selling, administrative and general	3,133,464
Interest and loan costs—Net of interest income ($213,596)	579,599
Minority interests	30,360
	$26,298,795

Notes to the Financial Statements

Note 1 (in part): Minority Interests—At November 30, 1972 the minority interests in subsidiaries were as follows:

	Percent	Amount
Struthers Scientific and International Corporation	19.9%	$190,236
Struthers Thermo-Flood Corporation	20.0	331,117
		$521,353

SWIFT & COMPANY (OCT)

	1972	1971
	($ Thousands)	
Consolidated Statement of Financial Position		
Total assets less current liabilities	$756,255	$746,455
Less:		
Direct costs of facility realignment program		13,639
Pensions and other noncurrent amounts	31,672	34,607
Deferred income taxes	42,064	37,247
Long-term debt	176,127	184,736
Minority interests in subsidiaries	52,346	49,473
Total	**302,209**	**319,702**
Net assets applicable to stockholders' equity	**$454,046**	**$426,753**
Consolidated Statement of Current and Accumulated Earnings		
Earnings before items shown below	$37,575	$25,918
Equity in earnings of nonconsolidated subsidiaries and affiliated companies	2,315	519
Minority interests in subsidiaries' earnings	(2,887)	(327)
Net earnings	**$37,003**	**$26,110**

Financial Comments

Minority interests—Substantially all of the amounts shown for minority interests in subsidiaries relate to the publicly held 49% interest in TransOcean Oil, Inc. Swift's 51% interest in TransOcean was acquired on April 30, 1970 by the purchase of 6.5 million previously unissued shares of TransOcean for $83.3 million consisting of $30.0 million cash and $53.3 million, with 6% annual interest, payable over a period of not more than five years. At October 28, 1972, $42.6 million of this obligation remained outstanding.

During 1972, Swift cancelled previously announced plans to dispose of the investment in TransOcean. This decision reflected Swift's intention to continue the expansion of its total petroleum operations. Significant hydrocarbon discoveries on properties acquired by TransOcean in December 1970 added to TransOcean's importance in that program.

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 2-44. Examples of such items follow.

TABLE 2-44: OTHER LONG-TERM LIABILITIES, DEFERRED CREDITS, AND RESERVES

Employee Liabilities	**1972**	**1971**	**1970**	**1969**
Deferred compensation, bonus, etc.	92	88	87	86
Pension or retirement plan	71	68	71	71
Other- not described	28	27	34	24
Estimated losses or expenses				
Discontinued operations	35	31	26	15
Insurance	34	35	37	45
Foreign operations	28	32	35	36
General contingencies	5	8	7	11
Repairs, furnace relining, etc.	5	6	5	7
Other- described	31	25	27	32
Deferred credits				
Payments received in advance, warranties, etc.	26	25	13	27
Production payments	13	12	7	19
Excess of acquired net assets over cost	10	12	15	16
Deferred profit on sales	9	12	17	14
Other- described	22	13	14	16
"Miscellaneous" or "other"	**178**	**169**	**164**	**143**
Total Presentations	**587**	**563**	**559**	**562**

Employee Liabilities

AMERICAN CYANAMID COMPANY (DEC)

	($ thousands)
Funded debt not due within one year	$236,579
Incentive compensation contingently payable (Note 5)	4,506
Income taxes payable in the future	33,200
Minority shareholders' equity in foreign subsidiaries	7,273

Note 5. Incentive Compensation— The accounts 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 1972, the portion so contingently payable in common stock is not determinable. The amount contingently payable in respect of allotments for prior years is $4,506,000.

BRUNSWICK CORPORATION (DEC)

Long-term debt	$75,553,00C
Deferred Compensation (note 11)	1,953,000
Deferred income taxes	6,400,000
Minority shareholders' equity in Sherwood Medical Industries Inc.	7,945,000

Note 11: Management Compensation— A management incentive compensation plan provides that incentive compensation may be paid to certain officers (excluding the Chairman of the Board) 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. The provision for management incentive compensation was $1,900,000 in 1972 and $1,225,000 in 1971.

Under a deferred compensation arrangement, 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.

Deferred compensation also includes amounts payable after retirement to officers pursuant to employment agreements, and amounts payable to retail bowling center managers under an incentive plan related to the income of their respective centers.

THE JAEGER MACHINE COMPANY (DEC)

Pensions – present value of future payments to employees retired prior to adoption of funded pension plans	$579,974

UNITED BRANDS COMPANY (DEC)

	($ thousands)
Long-term debt (Note 6)	$402,487
Accrued severance and Other social benefits (Note 7)	34,956
Other liabilities and deferred credits	7,689
Total liabilities	**$624,304**

Other Liabilities-Described

GRUMMAN CORPORATION (DEC)

LONG-TERM LIABILITIES	
Advances (Note 4)	$ 54,000,000
5% notes due in annual installments of $2,000,000 to August 1, 1978	10,000,000
4¼% convertible subordinated debentures due September 1, 1992 (Note 5)	49,488,000
Lease obligations through 1987	6,882,546
Renegotiation settlement payable (Note 6)	2,932,661
Notes payable to banks and others	17,128,856
	$140,432,063

Note 4: Grumman Aerospace Corporation entered into an Advance Payment Pool Agreement with the Government on August 8, 1972 which provides Grumman Aerospace Corporation with financing for its Navy programs. Advances, at an interest rate of 6⅞%, under this agreement totaled $54,000,000 at December 31, 1972, and are secured by inventories of these programs and the future receipts under the applicable contracts. Grumman Aerospace has the right to terminate this financing arrangement upon repayment of any monies advanced.

Under the present terms of this agreement, Grumman Corporation may not pay any dividends, except dividends payable in stock of the Company, or make any distribution on account of any shares of capital stock as long as the agreement remains in force. As part of the F-14 contract settlement with the Government, the Company will be permitted to pay cash dividends up to 50% of consolidated net income each year should this Advance Payment Pool Agreement remain in effect. However, the Company is presently prohibited from paying dividends under restrictions in the indenture under which its subordinated convertible debentures were issued as discussed in Note 5.

Note 6: A substantial portion of sales are subject to the Renegotiation Act of 1951. Renegotiation has been concluded through 1966. With respect to 1965, the Renegotiation Board had previously issued an order directing the Company to make a refund to the Government of approximately $2,500,000, net of adjustments for state and Federal taxes measured by income. With respect to 1966, the Renegotiation Board made a determination that the Company's profits from renegotiable business during that year were excessive in the approximate amount of $4,200,000 after adjustment for state and Federal taxes measured by income.

As previously reported, the Company disagreed with the Board's position and had filed a petition with the court for a redetermination of the Board's finding for 1965. After lengthy negotiations with the Department of Justice and the Renegotiation Board, the Company, in December of 1972, submitted an offer to settle these renegotiation cases. The Company has been advised by the Department of Justice and the Renegotiation Board that its offer has been accepted. This settlement, covering both years, results in a net cost impact to the Company of approximately $3,541,000, after adjustments for accrued interest and refunds of state and Federal income taxes, and has been reflected in the accompanying financial statements. Of the foregoing amount, approximately $2,046,000 has been charged to reserves previously established for possible renegotiation refunds, and the remainder, approximately $1,495,000, has been charged against earnings retained for use in the business. This settlement, therefore, had no effect upon the Company's net loss for 1972.

The settlement provides for repayment of principal and accrued interest on the refunds as follows: $400,000 on execution of an agreement incorporating the settlement terms, $500,000 on December 31, 1973, $500,000 on December 31, 1974, and the balance on December 31, 1975. Interest on the 1965 and 1966 principal amounts will be payable at the rates of 4% per annum and 7⅛%, respectively.

On the basis of data now available, it is the opinion of the Company that profits from renegotiable business during the years subsequent to 1966 were within limitations which the Renegotiation Board has considered reasonable in the past and that refund for those years should not be required by the Renegotiation Board.

HARCOURT BRACE JOVANOVICH, INC. (DEC)

NONCURRENT LIABILITIES AND DEFERRED ITEMS	
Long-term royalties payable (Note 4)	$ 6,737,024
Unearned subscription income	5,959,240
Long-term notes payable (Note 4)	3,716,160
Deferred Federal income taxes	1,034,276
	$17,446,700

Note (4): Long-term royalties and long-term debt at December 31, 1972 become payable in the following periods:

	Royalties	**Debt**
1974	$1,038,546	$ 705,144
1975	737,828	682,597
1976	511,186	674,513
1977	433,730	670,205
1978-2040	4,015,734	983,701
	$6,737,024	**$3,716,160**

The interest rates on long-term debt range from 4% to 8½%; long-term royalties are non-interest bearing.

HAZELTINE CORPORATION (DEC)

LONG-TERM LIABILITIES	
Liability to Zenith under Settlement Agreement (Note 2)	$ 545,557
Note payable to bank	1,200,000
Mortgages payable	969,236
Convertible note payable	200,000
Provision for estimated deferred compensation	894,141
	$3,808,934

Note 2: Liability to Zenith Radio Corporation— Under the terms of the 1971 Settlement Agreement with Zenith Radio Corporation, as previously reported, Hazeltine Research, Inc. has made cash payments (including the payment of $2,394,505 on January 31, 1973) aggregating $15,954,443, and with the grant of a $6 million royalty credit this leaves an unpaid balance of $545,557 out of the $22.5 million settlement. Payment of this amount is due on January 31, 1974, and will satisfy all monetary obligations of Hazeltine Research, Inc. to Zenith.

Under the Settlement Agreement and until such time as the indebtedness to Zenith thereunder is satisfied by payment of the remaining $545,557 Hazeltine Research, Inc. is prohibited from paying cash dividends and from mortgaging certain Greenlawn real estate without the consent of Zenith. The amount of retained earnings of Research at December 31, 1972 was $2,608,849.

MONFORT OF COLORADO, INC. (AUG)

Anticipated Demolition Costs of Greeley Feedlot – Note H	$300,000

Note H: Greeley Feedlot Relocation— The proximity of the Greeley feedlot to the City of Greeley, Colorado posed ecological problems to the residents of Greeley. In response to these concerns, the Company intends to relocate the Greeley feedlot to a more remote area near Kuner, Colorado. Construction of the new feedlot, which is expected to cost approximately $5,000,000, is anticipated to commence in fiscal 1973 with completion in fiscal 1974. This will be followed by the abandonment and demolition of the Greeley feedlot. In recognition of the decision to relocate the Greeley feedlot, an extraordinary charge for abandonment and demolition of $458,419 (net of related income taxes) was made to income.

Deferred Credits

ASHLAND OIL, INC. (SEP)

	($ thousands)
Production Payments and Loans to Acquire Mineral Properties– Note B	$99,566

Note B: Production Payments and Loans to Acquire Mineral Properties— In connection with purchases of oil and gas properties during 1972, carved-out production payments (representing advance sale of minerals) aggregating $81,500,000 were sold from the purchased and other properties. These production payments, together with an amount ($3,975,000 in 1972) equal to ¾% above the prime interest rate, will be reduced solely out of percentages ranging from 65% to 73% of the proceeds from the sale of oil and gas produced from the dedicated properties. The percentage of proceeds applied to the production payment will be increased to 100% if the outstanding primary balance does not meet scheduled amounts. At September 30, 1972, the balances under these production payments were $76,512,000. Based on present estimates of future production, these production payments will be liquidated in 1976 and 1979.

During 1972, the Company entered into direct loans for the acquisition of interests in certain other mineral properties. Such loans aggregate $23,054,000 at September 30, 1972, of which $12,204,000 is due in December 1973 and the remainder, with interest at floating rates (7.3% at September 30, 1972), in installments of approximately $1,187,000 annually through 1980.

THE DOW CHEMICAL COMPANY (DEC)

OTHER LIABILITIES AND RESERVES	
Minority interests in subsidiary companies	$38,339,482
Deferred employee benefits	29,800,839
Deferred investment grants	1,177,640
Deferred income taxes	14,961,015
Loss on foreign investments	6,000,000
	$90,278,976

Accounting Principles

Taxes on Income and Investment Credits— The companies compute and record income taxes currently payable based upon their determination of taxable income which may be different from pretax accounting income. These differences may arise from recording in pretax accounting income transactions which enter into the determination of taxable income in another period. The tax effect of these timing differences is recognized by adjustment currently to the provision for taxes.

Provision is made for income taxes on unremitted earnings of subsidiaries and 20%-50% owned companies as required under United States income tax laws, or as such earnings are determined not to be permanently invested.

Laws governing the determination of United States and certain foreign income taxes provide for investment credits or allowances which are deductible generally upon completion of qualified facilities. Such credits are reflected as a reduction of income tax expense on the flow-through basis in the year in which they are deductible.

In addition to tax credits, certain foreign countries provide investment incentives in the form of tax-free grants which offset development and start-up expenses of new facilities to which they relate. The excess, if any, of grants earned over expenses incurred are amortized over the life of the facilities.

Notes to Financial Statements

Note J: Investment Grants— Investment grants credited to income in 1972 and 1971 amounted to $5,097,735 and $894,405, respectively.

THE LUBRIZOL CORPORATION (DEC)

Total current liabilities	$31,779,915
Deferred cash grants from a foreign government (being amortized over the lives of the related assets acquired)	1,371,208
Deferred income taxes	3,339,828

PENN FRUIT CO., INC. (AUG)

Consolidated Balance Sheet

LIABILITIES AND SHAREHOLDERS' EQUITY	
Deferred income – Note 1	$374,095

Consolidated Statement of Operations

COSTS AND EXPENSES AND OTHER INCOME	
Real estate gain – Note 1	$(374,095)

Note 1 (in part): Principles of Consolidation— During the year ended August 26, 1972 Penn Fruit entered into 50% owned joint venture partnerships (Marlton Joint Ventures) for the purpose of developing a tract of land situated in the vicinity of Marlton, New Jersey. The development plan includes townhouses, apartments and property for commercial usage including a shopping center. Penn Fruit conveyed land to the partnerships and the excess of the amount received by Penn Fruit over its cost (to the extent of the other venturer's 50% interest) was credited to income in fiscal 1972. The balance of the excess ($374,095) is carried as deferred income in the balance sheet and will be amortized over the life of the ventures or as otherwise realized through transactions by the joint ventures with outside parties. The joint ventures had no income or loss from operations during fiscal 1972 as all costs incurred were for either land improvements or construction and were, therefore, capitalized.

SAV-A-STOP INCORPORATED (AUG)

Deferred service contract income	$328,058

Summary of Accounting Policies

Deferred Service Contract Income— The Company recognizes income from the sale of appliance service contracts on a straight-line basis over the lives of the contracts after deducting certain direct costs attributable to the sale of such contracts.

THE SUPERIOR OIL COMPANY (DEC)

NATURAL GAS SALES SUBJECT TO REFUND (Note 3)	
Including $6,000,000 and $8,000,000 applicable to royalty and working interest owners at December 31, 1972 and 1971, respectively.	$96,878,000

Note (3): Natural Gas Sales Subject to Refund— A decision rendered by the United States Supreme Court in 1954 held that the sale by producers of natural gas for resale in interstate commerce is subject to the jurisdiction of the Federal Power Commission (FPC). As a result, it has been necessary that Superior file rate schedules with the FPC and obtain approval for all gas sales in interstate commerce. Many of these rate schedules set forth prices which are subject to refund until such time as the FPC makes a determination of "just and reasonable" rates. For this reason, Superior has recognized income only to the extent that, in the opinion of counsel, such sales are free of refund obligation. The portion of sales prices received which is in excess of the amount recognized as income has been deferred and is classified in the accompanying consolidated balance sheet as Natural Gas Sales Subject to Refund.

The FPC has ordered that any refunds of gas sales proceeds will bear interest at rates ranging from 6 to 7 percent per annum. Superior charges its income account with interest on that amount of natural gas sales it is deferring. Such interest charges amounted to

$4,500,000 and $4,300,000 for 1972 and 1971, respectively. Total accrued interest on gas sales subject to refund was $26,000,000 at December 31, 1972.

During 1970 and 1971, the FPC issued four area rate orders (Opinions Numbered 586,595,598 and 607) which together established rates for prospective gas sales and established a basis for the disposition of gas sales proceeds subject to refund in most of the areas in which Superior makes jurisdictional gas sales. All of the Opinions were brought before United States Courts of Appeal for review of the Commission orders. Opinion Number 586 concerning the Hugoton-Anadarko Area has been sustained by the courts. Final disposition of the Hugoton -Anadarko Area rate order concerns only $1,249,000 of prior years' gas sales subject to refund. Superior will disburse $139,000 of such amount to other interests and the remainder has been recognized by restating 1971 and prior years' reported net income. The three other Opinions are still under review by Circuit Courts.

If the courts sustain the remaining orders, gas producers will be able to retain substantial amounts of the proceeds from past sales and the remaining refund obligation would be subject to further reduction by the commitment of future gas reserves to jurisdictional sales during stated periods of time. If the orders are put into effect, Superior's net income for 1972, 1971 and prior years will be increased by $11,000,000, $16,000,000 and $41,000,000, respectively, and Superior will disburse to royalty and working interest owners their shares of deferred amounts which at December 31, 1972 amounted to $6,000,000. Superior would also have a remaining refund obligation of $23,000,000 subject to work off by commitment of newly discovered gas reserves to jurisdictional sales within the time limits permitted by the respective area rate orders.

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—45 shows that a significant number of companies continue to use the term reserve in the asset and liability sections of the balance sheet.

TABLE 2-45: USE OF TERM "RESERVE"

To describe deductions from assets for	**1972**	**1971**	**1970**	**1969**
Uncollectible accounts	62	64	74	81
Accumulated depreciation	26	26	26	31
Decline in value of investments	12	12	12	13
Adjustment in value of inventories	8	9	10	9
Other	20	9	13	7
Total Presentations	**128**	**120**	**135**	**141**
To describe accruals for				
Income taxes and other current liabilities	4	10	10	8
Employee benefits or compensation	34	47	48	49
Insurance	29	27	34	34
Estimated losses or expenses relating to foreign operations	24	28	31	33
Estimated expenses relating to property abandonments or discontinued operations	22	26	N/C	N/C
Deferred income taxes	14	18	24	23
Other— identified	28	16	17	11
Other— not identified	45	57	73	75
Total Presentations	**200**	**228**	**237**	**233**
Included in stockholders' equity	1	3	4	4
Number of Companies Presenting Reserves				
In assets only	78	59	63	68
In assets and liabilities	30	34	38	40
In liabilities only	156	108	108	99
In neither assets nor liabilities	336	399	391	393
Total	**600**	**600**	**600**	**600**

N/C— Not Compiled.

TITLE OF THE "STOCKHOLDERS' EQUITY" SECTION

Table 2–46 summarizes the titles used in the 1972 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: STOCKHOLDERS' EQUITY SECTION – TITLE IN THE BALANCE SHEET

"Ownership" word,* with	**1972**	**1971**	**1970**	**1969**
Equity	522	523	514	504
Investment	45	43	43	48
Other term	8	8	9	7
Subtotal	**575**	**574**	**566**	**559**
"Ownership" word omitted:				
Capital stock and retained earnings (or surplus, etc.)	11	10	14	19
Capital	6	7	7	9
Capital and retained earnings (or surplus, etc.)	2	4	6	4
Other terms or title not set forth	6	5	7	9
Total Companies	**600**	**600**	**600**	**600**
***Ownership Word**				
Stockholder	327	330	323	316
Shareholder	228	220	208	212
Other	20	24	35	31
Total	**575**	**574**	**566**	**559**

CAPITAL STRUCTURES

The various classes and combinations of capital stock, as disclosed in the balance sheets of the 600 survey companies, are summarized in Table 2–47. The need for disclosure in connection with complex capital structures is stated in Paragraph 19 of *APB 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.

TABLE 2-47: CAPITAL STRUCTURES

Common stock with:	**1972**	**1971**	**1970**	**1969**
No preferred stock (*104, 264, 645)	164	164	165	197
One class of preferred stock (*204, 225, 366)	327	309	314	268
Two classes of preferred stock (*201, 330, 660)	81	92	88	98
Three or more classes of preferred stock (*150, 255, 285)	28	35	33	37
Total Companies	**600**	**600**	**600**	**600**
Companies using term "Capital Stock" (*36, 128, 309)	23	22	24	40
Companies included above with two or more classes of common stock (*120, 233, 680)	19	21	20	23

*Refer to Company Appendix Section.

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 2–39.

Simple Capital Structures

ASSOCIATED DRY GOODS CORPORATION (JAN)

SHAREHOLDERS' EQUITY	
Cumulative preferred stock; par value $100.00; 170,394 shares authorized and unissued	
Common stock; par value $.50; 16,000,000 shares authorized; 13,584,193 shares issued	$ 6,792,000
Capital in excess of par value of common stock	61,014,000
Accumulated earnings retained	302,212,000
Less common stock in treasury at cost; 82,383 shares	(1,950,000)
Total Shareholders' Equity	**$368,068,000**

AVON PRODUCTS, INC. (DEC)

SHAREHOLDERS' EQUITY	
Capital stock, par value $.50	
Authorized 64,800,000 shares	
Outstanding 57,845,408	$ 28,923,000
Capital surplus	25,702,000
Retained earnings	324,445,000
	$379,070,000

CPC INTERNATIONAL INC. (DEC)

SHAREHOLDERS' EQUITY	
Preferred stock par value $1.00; authorized 3,500,000 shares, none issued	$--
Common stock, par value $.50, authorized 30,000,000 shares issued 1972- 23,923,124 shares	11,961,562
Capital in excess of par value of stock	148,124,663
Retained earnings	365,588,687
	516.674,912
Less common stock in treasury, at cost, 183,459 shares in 1972	6,685,159
Total shareholders' equity	**$509,989,753**

Complex Capital Structures

BORDEN, INC. (DEC)

	1972	**1971**
SHAREHOLDERS' EQUITY		
Capital Stock		
Preferred stock- no par value		
Authorized 10,000,000 shares		
Issued Series A Convertible- 472,750 shares (involuntary liquidating value of $9,455,000 or $20.00 per share)	$ 1,772,812	$ 1,772,812
Issued Series B Convertible- 592,470 shares and 685,700 shares respectively (involuntary liquidating value of $17,110,534 or$28.88 per share at December 31, 1972)	2,443,939	2,828,513
Common stock- $3.75 par value		
Authorized 60,000,000 shares		
Issued 29,284,852 shares and 29,182,966 shares respectively	109,818,195	109,436,123
Paid-In Capital	190,457,121	190,490,586
Retained Earnings	424,646,056	394,747,683
	729,138,123	**699,275,717**
Less Common Stock in Treasury (at cost)- 135,954 shares and 92,471 shares respectively	(3,769,383)	(2,573,314)
Total Shareholders' Equity	**$725,368,740**	**$696,702,403**

Notes to Consolidated Financial Statements

Note 7: Shareholders' Equity— The 472,750 shares of Preferred Stock— Series A, issued in 1970, are entitled to receive annually until January 14, 1976, cumulative dividends per share of one-half the per-share Common Stock Dividend or $.60, whichever is greater. Thereafter the dividend will be determined by the Board of Directors, but in no event will be less than $.60 per share.

The Preferred Stock—Series A is convertible into an equal number of Common Shares as follows:

Period of Convertibility	Shares
Dec. 15, 1973-Jan. 14, 1974	157,583
Dec. 15, 1974-Jan. 14, 1975	157,583
Dec. 15, 1975-Jan. 14, 1976	157,584

Shares not converted into Common Stock during the above periods may be called after January 14, 1976 and an equal number of Common shares issued therefor.

The 592,470 shares of Preferred Stock—Series B bear an annual cumulative dividend of $1.32, are convertible into 1.1 shares of Common Stock of the Company and are redeemable, currently at $44 per share.

As of January 1, 1972, 270,854 shares of Common Stock of the Company were reserved for unexercised stock options at prices ranging from $15.82 to $36.82 per share. During 1972, options for 25,250 shares were granted at $30.75 per share, options for 76,656 shares expired or were cancelled; options for 1,510 shares were exercised, at prices ranging from $21.82 to $28.39 per share, leaving 217,938 shares reserved for unexercised options at prices ranging from $15.82 to $36.82 per share as of December 31, 1972. At December 31, 1972, 179,300 shares were available for future grants.

At December 31, 1972, 1,124,467 shares were reserved for conversion of Preferred Stock—Series A and B. In addition, 1,995,859 shares were reserved for issuance upon conversion of the 6¾% and 5% Convertible Debentures discussed in Note 3 and 15,517 shares pursuant to the Management Incentive Plan.

CERTAIN-TEED PRODUCTS CORPORATION (DEC)

	1972	**1971**
STOCKHOLDERS' EQUITY-NOTE 6:		
Preferred Stock, $1 par value, authorized 2,000,000 shares:		
Designated as Series A Convertible, issued and outstanding 555,569 and 613,602 shares (liquidation preference $13,889,225 and $15,340,050)	$ 555,569	$ 613,602
400,000 shares designated as Series B Convertible, issued and outstanding 200,000 shares (liquidation preference $9,000,000)	200,000	---
Common Stock, $1 par value, authorized 20,000,000 and 7,500,000 shares, issued 10,733,120 and 4,903,977 shares and issuable 320,000 shares (1972)	11,053,120	4,903,977
Capital in Excess of Par Value	74,599,807	49,224,401
Retained Earnings	88,904,102	66,429,241
Less: Common Stock held in treasury, at cost-33,264 and 19,068 shares	(194,133)	(222,567)
Total stockholders' equity	**$175.118,465**	**$120,948,654**

Note 6: On June 28, 1972, the Board of Directors voted to effect a two-for-one split of the Company's Common Stock. In connection therewith, the par value of the additional shares issued has been transferred from Capital in Excess of Par Value to Common Stock.

Dividends on the Series A Convertible Preferred Stock are cumulative at the annual rate of $.90 per share. Each share is entitled to one vote, has a liquidating value of $25 per share plus accrued unpaid dividends, is convertible into two shares of Common Stock and may be called by the Company (subject to the conversion rights of the holders) at a price of $25 per share plus accrued unpaid dividends.

Dividends on the Series B Convertible Preferred Stock are cumulative at the annual rate of $1.40 per share. Shares will be convertible until December 31, 1975 on the basis of two shares of Common Stock for each share of preferred stock and thereafter on the basis of 1.75 shares of Common Stock for each share of preferred stock. Each share is entitled to one vote, has a liquidating value of $45 per share plus accrued unpaid dividends and may be redeemed after December 31, 1975 (subject to the conversion rights of the holders) at the same value.

LIGGETT & MYERS INCORPORATED (DEC)

STOCKHOLDERS' EQUITY	
Capital stock (Note 8)	
7% cumulative preferred stock, par value $100 per share– authorized and issued, 139,621 shares; in treasury, 1972, 24,520 shares 1971, 21,720 shares.	$ 11,510,100
$5.25 cumulative convertible preference stock, par value $1 per share– authorized, 310,000 shares; issued, 1972, 132,875 shares, 1971, 147,876 shares (involuntary liquidation value, 1972, $13,287,500, 1971, $14,787,600)	132,875
Series preference stock, par value $1 per share– authorized, 1,000,000 shares; issued, none	---
Common stock, par value $1 per share– authorized, 12,000,000 shares; issued, 1972, 8,313,094 shares, 1971, 8,278,344 shares	8,313,094
Paid-in capital in excess of par values of capital stock	116,041,981
Retained earnings	218,548,754
Total	**354,546,804**
Less cost of common stock in treasury (1972, 147,177 shares, 1971, 158,342 shares)	5,522,550
Total stockholders' equity	**$349,024,254**

Note 8: Capital Stock—The 7% cumulative preferred stock has eight voting rights per share and is not callable. In the event of voluntary or involuntary liquidation of the Company, the holders of such stock are entitled to par value, $100 a share, plus any accumulated and unpaid dividends thereon before any amounts shall be paid to holders of any other classes or series of stock. In 1972, the Company acquired 2,800 shares of 7% preferred stock for its treasury at a cost of $284,720.

The $5.25 cumulative convertible preference stock ranks senior to shares of common stock and on a parity with shares of any series of preference stock as to dividends and upon liquidation. After January 24, 1974, the $5.25 preference stock may be redeemed, at the option of the Company, at stated redemption prices ranging from $110 to $100. At the option of the holder any time prior to redemption, the stock is convertible into one share of the Company's common stock for each $43.50 of involuntary liquidation value ($100 per share) of the $5.25 preference stock. In 1972, 15,135 shares of $5.25 preference stock were converted into 34,750 shares of the Company's common stock.

In 1972, 22,104 shares of common treasury stock, having a cost of $820,090, were issued in payment of awards under the Incentive Compensation Plan for Senior Executives and the Restricted Stock Incentive Plan for Key Employees for the Plan year ended December 31, 1971 (see Note 10), and 10,939 shares of common stock were acquired for the treasury at a cost of $465,958.

At December 31, 1972, 312,660 shares of the Company's common stock were reserved for issuance pursuant to the Restricted Stock Incentive Plan for Key Employees (see Note 10) and for the conversion of the $5.25 preference stock.

OWENS-ILLINOIS, INC. (DEC)

	1972	1971
	($ Thousands)	
SHAREHOLDERS' EQUITY:		
Preferred shares	$ 17,522	$ 18,296
Preference shares (liquidation preference, 1972–$66,741,000; 1971–$66,742,000)	13,348	13,348
Common shares	47,591	48,161
Capital in excess of stated value	70,800	69,463
Retained earnings	537,705	502,557
	$686,966	**$651,825**

Financial Review

Capital Shares

	Number of Shares	
	1972	**1971**
Preferred shares, $100 par value, 4% cumulative:		
Authorized	481,953	481,953
Issued and outstanding	175,223	182,955
Preference shares, without par value, cumulative, issuable in series:		
Authorized	2,000,000	2,000,000
$4.75 convertible series, $20 stated value, entitled to $100 in involuntary liquidation:		
Authorized	743,766	743,766
Issued and outstanding	667,408	667,420
Common shares, $3.125 par value:		
Authorized	30,000,000	30,000,000
Issued and outstanding	15,229,106	15,411,410
In treasury	1,252,396	1,031,696

Changes in issued and outstanding shares in 1972 and 1971 resulted from the repurchase and retirement of preferred shares, the exercise of stock options (including shares subscribed on an installment basis), conversion of preference into common shares, and repurchase of common shares for the treasury.

4% Preferred Shares—Preferred shares are redeemable at the option of the Company through March 31, 1973, at $101.75 per share and thereafter at prices which are reduced by 25 cents per share each April 1 to $100 per share if redeemed after March 31, 1979. Shareholders are entitled to $100 per share in the event of involuntary liquidation in preference to the $4.75 preference and common shares.

The authorized preferred shares, other than those outstanding, are shares previously issued and subsequently acquired by the Company (through purchase or exchange for Owens-Corning Fiberglas Corporation common stock) and retired; they cannot be reissued.

Owens-Illinois is obligated to set aside on May 1 of each year $2 million for use in the following 12 months to purchase preferred shares, if obtainable, in the open market, at the best prices obtainable, but at a cost not to exceed $100 per share plus costs of acquisition. If any portion of a purchase fund installment is not so expended during the 12 months following the date set aside, the balance will be available for general corporate purposes. Of the fund set aside May 1, 1972, $.4 million was used through December 31 to purchase 5,812 shares.

$4.75 Preference Shares—The Board of Directors may authorize the issuance of preference shares, junior to the 4% preferred shares, up to an aggregate of 2,000,000 shares and may set the terms of each new series as to dividend rate, redemption rights, liquidation price, sinking fund requirements, conversion rights, and certain related matters.

Subject to the voting rights in certain circumstances of the 4% preferred shares, preference share of all series shall be entitled to general voting rights of one-half vote for each share, voting with the common shares without distinction as to class. Under certain circumstances and with respect to certain matters, the holders of preference shares shall be entitled to one vote for each share and to vote separately as a class.

The first series of 743,766 shares was authorized in 1968 for issuance in connection with the Lily-Tulip transaction. This series, designated "$4.75 cumulative convertible preference shares," has a stated value of $20 per share and is entitled to $100 per share in involuntary liquidation in preference to common shares. These shares are convertible at any time into one and one-half common shares for each such preference share and are redeemable at the option of the Company, commencing April 1, 1974, at $104.75 per share and thereafter at prices which decline annually to $100 per share if redeemed on or after April 1, 1979. Of the 743,766 authorized $4.75 preference shares, 739,985 shares were issued in the Lily-Tulip merger. In 1972, conversions were made of 12 preference shares (23 in 1971) into 18 common shares (34 in 1971).

In the opinion of counsel, there are no restrictions upon retained earnings by reason of the excess of the involuntary liquidation preference over the stated value of the $4.75 preference shares.

Common Shares—During 1972, the Company reacquired for the treasury 220,700 common shares for cash at an aggregate price of $9.8 million.

In January 1973, the Company reacquired for the treasury an additional 79,300 common shares for cash at an aggregate price of $3.3 million.

At year-end, 2,579,096 unissued common shares were reserved for issuance—434,070 for exercise of stock options; 305,084 for conversion of the 5% guaranteed debentures; 838,830 for conversion of 4½% convertible subordinated debentures; and 1,001,112 for the conversion of $4.75 preference shares.

COMMON STOCK

The valuation bases of common stock are summarized in Table 2-48. 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 also summarized in Table 2-48. Paragraph 36 of *APB Opinion No. 9* defines outstanding stock as excluding reacquired or treasury stock.

> 36. The computation of earnings per share should be based on the weighted average number of shares outstanding during the period. Minor increases and decreases in the number of common shares outstanding during the period may be disregarded; under 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 are shown in connection with Table 2-47.

TABLE 2-48: COMMON STOCK

Valuation Bases	**1972**	**1971**	**1970**	**1969**
Par value stock shown at par value	505	502	498	501
Par value stock shown at amount in excess of per share par value	44	43	46	44
Par value stock shown at assigned value per share	2	5	5	5
No par value stock shown at assigned value per share	20	20	15	17
No par value stock shown at assigned value— per share value not disclosed	48	51	56	55
Issues Outstanding	**619**	**621**	**620**	**622**
Status				
Authorized, issued	366	369	354	340
Authorized, outstanding	108	124	132	142
Authorized, issued, outstanding	141	126	133	136
No disclosure of authorized shares	4	2	1	4
Issues Outstanding	**619**	**621**	**620**	**622**

TABLE 2-49: PREFERRED STOCK

Valuation Bases	**1972**
Par value stock shown at par value	205
Par value stock shown at assigned value per share	11
Par value stock shown at liquidation or redemption value	5
No par value stock shown at assigned value per share	55
No par value stock shown at assigned value– per share value not disclosed	49
No par value stock shown at liquidating value	13
Issues Outstanding	**338**
Status	
Authorized, issued	148
Authorized, outstanding	105
Authorized, issued, outstanding	85
Issues Outstanding	**338**
Number of Companies	
Showing preferred stock outstanding	253
Not showing preferred stock outstanding	347
Total	**600**

PREFERRED STOCK

Table 2-49 summarizes the valuation bases at which preferred stock is shown in the balance sheet and the terms used to describe the status of preferred stock. As with common stock, the majority of issues are valued at par.

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 2-50 shows that, of 253 companies with preferred stock outstanding, 118 disclosed a liquidation preference.

Examples of preferred stock presentation are shown below and in connection with Table 2-47.

Preferred Stock Extended at Par Value

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

SHAREHOLDERS' EQUITY–NOTE E	
Preferred Shares–$4.50 cumulative, par value $100 a share	
Authorized–500,000 shares	
Outstanding–106,019 shares	$ 10,602,000
Common Shares– par value $1 a share	
Authorized–7,000,000 shares	
Issued–3,201,830 shares	3,202,000
Capital in excess of par value of shares	14,657,000
Retained income	151,281,000
Cost of 202,051 Common Shares in treasury	(8,776,000)
	$170,966,000

Note E (in part): Preferred and Common Shares–Preferred Shares are redeemable at $101.50 a share plus accrued dividends, and holders are entitled to two votes for each share. The Company is required to set aside, each year, a sinking fund equal to 15% of unconsolidated net income (as defined), less annual dividend requirements on such shares. At December 31, 1972, the Company had purchased and retired sufficient Preferred Shares to satisfy estimated sinking fund requirements through 1974.

EMERSON ELECTRIC CO. (SEP)

	($ thousands)	
	1972	**1971**
STOCKHOLDERS' EQUITY		
Preferred stock of $2.50 par value per share:		
Authorized 5,400,000 shares; issued 3,309,830 shares (1971–3,433,591 shares); aggregate liquidating value of $76,540,000 ($23.125 per share)	$ 8,275	$ 8,584
Common stock of $1 par value per share:		
Authorized 40,000,000 shares; issued 23,082,055 shares (1971–22,962,821 shares)	23,082	22,963
Additional paid-in capital	35,545	33,741
Retained earnings	324,527	291,324
	391,429	**356,612**
Less common stock in treasury, 99,365 shares (1971–100,000 shares), at cost	5,241	5,288
Total stockholders' equity	**$386,188**	**$351,324**

TABLE 2-50: PREFERRED STOCK – LIQUIDATION PREFERENCE

	1972	**1971**	**1970**	**1969**
Aggregate liquidation preference disclosed on balance sheet	72	80	78	74
Aggregate liquidation preference disclosed in note to financial statements	22	35	36	31
Per share liquidation preference only, disclosed	24	14	15	18
Subtotal	**118**	**129**	**129**	**123**
Liquidating value does not exceed carrying value	31	28	30	29
Liquidating value not disclosed	104	102	104	106
Total companies with preferred stock outstanding	**253**	**259**	**263**	**258**

DENNISON MANUFACTURING COMPANY (DEC)

	1972	1971
STOCKHOLDERS' EQUITY (NOTE C)		
Debenture Stock, $8 cumulative, par value $100 per share:		
Authorized and issued 29,420 shares– liquidation value of 21,899 shares outstanding $3,503,000	$ 2,942,000	$ 2,942,000
$1 Cumulative Preferred Stock, par value $10 per share:		
Authorized 1,000,000 shares; issued 606,559 shares, less 138,333 shares in treasury (114,413 shares in 1971)–liquidation value $10,301,000	4,682,000	4,921,000
Common Stock, par value $5 per share:		
Authorized 6,000,000 shares; issued 2,695,319 shares (2,677,379 in 1971)	13,476,000	13,387,000
Capital in excess of par value	9,277,000	8,924,000
Earnings reinvested	49,535,000	42,893,000
	79,912,000	**73,067,000**
Less cost of shares in treasury: 1972–189,874 shares of Common Stock and 7,521 shares of Debenture Stcck; 1971–149,424 shares of Common Stock and 1,809 shares of Debenture Stock	2,970,000	775,000
	$76,942,000	**$72,292,000**

Note C: Capital Stocks and Capital in Excess of Par Value—During 1972 and 1971, the Company purchased 5,712 shares and 723 shares, respectively, of Debenture Stock at an aggregate cost of $727,000 and $67,000, respectively.

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 at any dividend date 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 1972, the Company purchased 50,000 shares of Common Stock for $1,507,000.

The following summarizes changes in capital in excess of par value for the two years ended December 31, 1972:

	1972	1971
Difference in par value of 23,920 shares (200 shares in 1971) of Preferred Stock converted into 17,940 shares (150 shares in 1971) of Common Stock	$150,000	$ 1,000
Excess of the proceeds received upon exercise of stock options over the cost of 9,550 shares (4,350 shares in 1971) of treasury stock issued (Note D)	203,000	57,000
Increase	$353,000	$58,000

At December 31, 1972, 434,820 shares of Common Stock were reserved for issuance upon conversion of the Preferred Stock and exercise of stock options.

CYCLOPS CORPORATION (DEC)

SHAREHOLDERS' EQUITY (NOTE 6)	(000)
Preferred stock, par value $1, authorized 1,000,000 shares:	
$6 Convertible Preferred stock, Series A, issued 104,114 shares (involuntary liquidation preference $10,411,000)	$ 104
$1.15 Convertible Preferred stock, Series B, issued 409,824 shares (involuntary liquidation preference $9,426,000)	410
Common stock, par value $1, authorized 6,000,000 shares, issued 2,051,277 and 2,039,404 shares	2,051
Capital in excess of par value	35,054
Retained earnings (Note 5)	91,541
	$129,160

Note 6 (in part):Shareholders' equity—Changes in Preferred and Common stock and capital in excess of par value follow:

	Preferred stock		Common stock	Capital in excess of par value
	Series A	Series B		
	($ thousands)			
At December 31, 1970	$104	$--	$2,037	$26,669
Issuance under option plans and deferred compensation agreement (30 shares of Preferred and 1,686 shares of Common)	--	--	2	40
Conversion of 107 shares of Series A Preferred into 250 shares of Common	--	--	--	--
At December 31, 1971	**104**	**--**	**2,039**	**26,709**
Issuance of $1.15 Convertible Preferred Series B for acquisition of net assets of Elwin G. Smith & Company, Inc. (424,754 shares) $1 par value	--	425	--	8,310
Issuance under option plans and deferred compensation agreement (1,400 shares common)	--	--	1	31
Conversion of 14,930 shares of Preferred for 10,473 shares of Common	--	(15)	11	4
At December 31, 1972	**$104**	**$410**	**$2,051**	**$35,054**

Changes in outstanding (all exercisable) $6 Convertible Preferred stock, Series A options are shown below:

	1972		1971	
	Shares	Option price per share	Shares	Option price per share
Beginning of year	173	$56	372	$56-69
Exercised	--	--	(30)	69
Cancelled	(15)	56	(169)	56-69
End of year	158	56	173	56

No further shares of $6 Convertible Preferred stock, Series A, are available for granting of future options.

Dividends on the Series A and Series B Preferred are cumulative from the date of issue. These series cannot be redeemed prior to the seventh anniversary of the date of issue.

The Series A Preferred is redeemable at $106 per share in 1976, and ratably declines through 1981 after which the redemption price is $100 per share. This series is voting on the basis of one vote per share and convertible at the present rate of 2.4343 shares of Common for each share of Preferred.

The Series B Preferred is redeemable at $24.15 per share beginning in 1979, and ratably declines through 1984 after which the redemption price is $23.00 per share. This series is voting on the basis of one-fourth of one vote per share and convertible at the present rate of .7023 share of Common for each share of Preferred.

Preferred Stock Extended at Stated Value

DRESSER INDUSTRIES, INC. (OCT)

	1972	1971
	($ thousands)	
SHAREHOLDERS' INVESTMENT—NOTES D AND E		
Convertible preferred shares, without par value, stated at $1.00 a share:		
$2.20 Series A (Liquidating preference $155,142,000)	$3,427	$3,427
$2.00 Series B (Liquidating preference $70,615,000)	1,716	1,716
Common shares, $0.25 par value	2,510	2,506
Capital in excess of par or stated value	94,916	94,620
Retained earnings	275,897	261,628
	378,466	**363,897**
Less common shares in treasury—at cost	--	910
Total Shareholders' Investment	**378,466**	**362,987**

Note D (in part): Capital Shares—Total authorized capital shares consist of 30,000,000 common shares and 10,000,000 preferred shares of which 3,429,850 shares are designated as $2.20 Convertible Preferred Stock, Series A and 1,742,416 shares are designated as $2.00 Convertible Preferred Stock, Series B.

Note E: Convertible Preferred Shares—The $2.20 Series A preferred shares are cumulative as to dividends and are currently convertible on the basis of 1.01 common shares for each preferred share. Such preferred shares are subject to redemption at the Company's option at $49.00 a share through October 26, 1974, and at decreasing prices thereafter, to a minimum of $47.50 a share.

The $2.00 Series B preferred shares are cumulative as to dividends and are convertible on the basis of .909 common share for each preferred share. These preferred shares are subject to redemption at the Company's option after April 30, 1973, at $44.55 a share, and at decreasing prices thereafter, to a minimum of $43.18 a share. The Series B preferred shares rank as to dividend and liquidation rights, and in all other respects, on a parity with the Series A preferred shares.

In the event of involuntary liquidation, the Series A preferred shares are entitled to receive $45.00 a share plus accumulated dividends, and the Series B preferred shares are entitled to receive $40.91 a share plus accumulated dividends. As of October 31, 1972, the aggregate of such preferences in excess of stated values amounted to $220,614,000. In the option of counsel, the existence of this excess imposes no restriction upon retained earnings.

TRW INC. (DEC)

	1972	1971
	($ thousands)	
SHAREHOLDERS' INVESTMENT		
4% Cumulative Preferred Stock	$ 1,664	$ 1,780
Serial Preference Stock	21,221	23,024
Serial Preference Stock II (aggregate involuntary liquidation price $270 million)	10,647	10,643
Common Stock	31,719	31,036
Other capital	94,044	92,544
Retained earnings	447,318	411,353
Total shareholders' investment	**$606,613**	**$570,380**

Notes to Financial Statements

Capital Stock

	Shares		
	Authorized	Outstanding	
		1972	**1971**
4% Cumulative Preferred Stock—stated at $100 par value, each share redeemable at $107	19,337	16,637	17,806
Serial Preference Stock—cumulative—stated at involuntary liquidation price of $100 a share	750,000		
$4.25 Series A—each share convertible into 6.202 shares of Common, redeemable at $104		139,397	153,248
$5.00 Series B—each share convertible into 3.183 shares of Common, redeemable beginning in 1973 at $105		72,811	76,991
Serial Preference Stock II—cumulative—stated at $2.75 a share	5,000,000		
$4.40 Series 1—each share convertible into 2.2 shares of Common, redeemable beginning in 1974 at $112		1,806,163	1,804,551
$4.50 Series 3—each share convertible into 1.862 shares of Common, redeemable beginning in 1976 at $105		2,065,353	2,065,451
Common Stock—stated at $1.25 par value—outstanding shares excluding treasury shares (921,387 shares in 1972 and 995,025 in 1971)	50,000,000	25,375,369	24,829,063

At December 31, 1972, approximately 9.9 million shares of Common Stock were reserved for issuance upon conversion of 5% Guaranteed Debentures and preference stock and for stock options.

The Series A Preferred is redeemable at $106 per share in 1976, and ratably declines through 1981 after which the redemption price is $100 per share. This series is voting on the basis of one vote per share and convertible at the present rate of 2.4343 shares of Common for each share of Preferred.

The Series B Preferred is redeemable at $24.15 per share beginning in 1979, and ratably declines through 1984 after which the redemption price is $23.00 per share. This series is voting on the basis of one-fourth of one vote per share and convertible at the present rate of .7023 share of Common for each share of Preferred.

Liquidation Preference Disclosed in Balance Sheet

LYKES-YOUNGSTOWN CORPORATION (DEC)

STOCKHOLDERS' EQUITY (NOTE 6)

Preferred stock $1 par value, 15,000,000 shares authorized Series A convertible preferred stock, issued 5,512,933 and 5,513,032 shares at stated value of $19.40 per share (aggregate liquidation preference $355,906,000)	$106,951,000
$4 Series convertible preferred stock, issued 32,461 and 33,893 shares at stated value of $38.85 per share (aggregate liquidation preference $5,799,000)	1,261,000
Common stock, par value $10 per share Authorized 30,000,000 shares, issued 8,983,352	89,834,000
Capital in excess of par value	3,512,000
Retained earnings, per accompanying statement	429,421,000
	630,979,000
Less—treasury stock (89,609 shares, Series A preferred, chiefly at stated value)	1,973,000
	$629,006,000

Note 6: Capital Stock—The Series A convertible preferred stock has a $2.50 annual cumulative dividend, is subject to redemption after June 1, 1974, at amounts ranging from $62.50 to $60.00 per share plus accrued dividends 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 subject to redemption at amounts ranging from $169.66 to $166.66 per share plus accrued dividends and is convertible into common shares on a basis of 1 share of preferred for 3.885 shares of common stock.

On February 9, 1973, the Board of Directors declared a dividend of $2.50 per snare on the Series A preferred stock and $4.00 per share on the $4 Series preferred stock payable April 13, 1973 to holders of record February 28, 1973; following this action, dividends in arrears on the Series A and $4 Series cumulative convertible preferred stock amount to $16,948,000 and $162,000 ($3.125 and $5.00 per share), respectively.

H. J. HEINZ COMPANY (APR)

SHAREHOLDERS' EQUITY:

Cumulative preferred stock issuable in series: 3.65% series (Note 4)	$ 3,235,000
Second cumulative preferred stock, having an involuntary liquidation value of $100 per share or $1,657,300 based on shares outstanding ($2,493,400 in 1971), issuable in series:	
$3.50 first series (Note 4)	51,615
$3.50 second series (Note 4)	254,986
Common stock	62,694,545
Additional capital	56,438,168
Retained earnings	274,409,817
	$397,084,131

Note (4): Capital stock—The number of shares authorized, outstanding, issued, retired, or converted, and the par values are as follows (common stock omitted for presentation purposes):

	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
Authorized as of:			
April 28, 1971	32,893	6,969	17,965
May 3, 1972	32,350	2,790	13,783
Outstanding, issued, retired, or converted:			
Year ended April 28, 1971:			
Outstanding at begining	38,859	72,451	36,060
Reacquired and retired	(5,966)	---	---
Converted to common stock	---	(65,482)	(27,032)
Issued:			
For second cumulative preferred stock:			
$3.50 First series	---	---	---
$3.50 Second series	---	---	---
On exercise of stock options	---	---	---
Under management incentive plan	---	---	---
In exchange for shares of "pooled" company	---	---	---
On exercise of warrant	---	---	8,937
Outstanding at end	32,893	6,969	17,965
Year ended May 3, 1972:			
Outstanding at beginning	32,893	6,969	17,965
Reacquired and retired	(543)	---	---
Converted to common stock	---	(4,179)	(4,182)
Issued:			
For second cumulative preferred stock:			
$3.50 First series	---	---	---
$3.50 Second series	---	---	---
On exercise of stock options	---	---	---
Outstanding at end	32,350	2,790	13,783

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 at $100.00 per share. 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 cumulative 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 through January 31, 1973 at $102.00 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 May 3, 1972 and April 28, 1971, there were authorized, but unissued, 100,000 shares of cumulative preferred stock for which the series has not been designated, 1,755 shares of second cumulative preferred stock for which the series has not been designated, and 250,000 shares of third cumulative preferred stock having a par value of $100.00 per share.

At May 3, 1972, 469,622 (526,823 at April 28, 1971) shares of common stock were reserved for conversion of second cumulative preferred stock outstanding and for outstanding options or for the granting of options under the employees' stock option plans.

RALSTON PURINA COMPANY (SEP)

	1972	1971
	($ thousands)	
SHAREHOLDERS EQUITY:		
Preferred stock, 6,000,000 shares authorized, $1 par value—Series A $1.20 Convertible—Outstanding 559,921 shares in 1972 and 1,002,946 in 1971 (aggregate involuntary liquidation preference—$20,437 in 1972 and $36,608 in 1971)	$ 560	$ 1,003
Common stock, 40,000,000 shares authorized, $1.25 par value—Issued 34,424,638 shares in 1972 and 31,133,342 in 1971	43,031	40,167
Capital in excess of par value	69,026	26,038
Earnings invested in the business	373,018	339,149
Common stock in treasury, at cost—73,672 shares in 1972 and 119,631 in 1971	(1,684)	(2,615)
Total Shareholders Equity	**$483,951**	**$403,742**

Summary of Other Financial Data

Capital Stock (in part)—Each share of Series A $1.20 Convertible Preferred Stock is convertible into 1.4 shares of common stock. The preferred stock has the same voting rights as common stock and has voluntary and involuntary liquidation preferences of $35 and $36.50 per share, respectively. The shares are redeemable June 15, 1973 to June 14, 1978 at prices declining from $36.75 to $35 a share, and thereafter at $35 a share.

ADDITIONAL CAPITAL

Table 2-51 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 2-51.

Examples of the terminology for additional capital follow.

Using Word "Capital"

AMPCO-PITTSBURGH CORPORATION (DEC)

SHAREHOLDERS' EQUITY:	
Cumulative preference stock—no par value; authorized 500,000 shares; issued (none)	
Common stock—par value $1; authorized 5,000,000 shares; issued 3,457,430 shares	$ 3,457,430
Other capital contributed upon issuance of shares	5,967,695
Earnings invested in the business	29,585,639
	39,010,764
Less—Cost of 154,301 shares of stock in treasury	898,203
Total shareholders' equity	**$38,112,561**

ARMCO STEEL CORPORATION (DEC)

	($ thousands)
SHAREHOLDERS' EQUITY	
Preferred stock— authorized 5,000,000 shares of no par value, issuable in series. Series issued: $2.10 cumulative convertible (involuntary liquidation preference aggregates approximately $61,000)	$ 17,288
Common stock— authorized 60,000,000 shares of $5 par value each	147,070
Additional paid-in capital	116,074
Income retained in the business	817,690
Total Shareholders' Equity	**$1,098,122**

TABLE 2-51: ADDITIONAL CAPITAL

Caption Title	1972	1971	1970	1969
Capital in excess of par or stated value	153	142	133	135
Additional paid-in capital	144	132	130	114
Paid-in capital, or other paid-in capital	31	25	25	20
Additional capital, or other capital	42	45	40	39
Other captions using the term "capital"	17	25	25	21
Captions avoiding use of term "capital"	6	6	8	10
Subtotal	**393**	**375**	**361**	**339**
Capital surplus	111	122	129	138
Paid-in surplus	22	29	28	33
Other captions using term "surplus"	–	–	1	1
Subtotal	**133**	**151**	**158**	**172**
Total	**526**	**526**	**519**	**511**
Number of Companies				
Presenting additional capital account	526	521	515	509
Not presenting any additional capital account	74	79	85	91
Total	**600**	**600**	**600**	**600**

COLT INDUSTRIES INC (DEC)

SHAREHOLDERS' EQUITY	
Preferred stock, $1 par value; authorized 2,949,279 shares, outstanding 1,293,784 shares (involuntary liquidation value at December 31, 1972–$104,312,000)	$1,294,000
Common stock, $1 par value; authorized 15,000,000 shares, issued 6,582,354 shares	6,582,000
Capital in excess of par value	146,329,000
Retained earnings	109,669,000
	263,874,000
Cost of 116,350 shares of common stock in treasury	6,544,000
Total shareholders' equity	**$257,330,000**

PFIZER INC. (DEC)

	($ thousands)
SHAREHOLDERS' EQUITY	
Preferred stock, without par value; 2,000,000 shares authorized, none issued	$ --
Common stock, $.11-1/9 par value; 85,000,000 shares authorized; issued 1972– 69,416,561	7,713
Capital paid-in, in excess of par value	168,193
Retained earnings	513,981
	689,887
Less common stock in treasury, at cost; 1972–400,719 shares	673
Total shareholders' equity	**$689,214**

ST. JOE MINERALS CORPORATION (DEC)

SHAREHOLDERS' EQUITY	
Preferred Stock, par value $50 per share, 1,000,000 shares authorized; none issued	
Common Stock, par value $10 per share, 12,500,000 shares authorized; 9,188,406 shares issued (no change during two years)	$ 91,884,000
Other Capital– representing principally excess of fair value of stock dividends over par value of Common Stock	19,281,000
Retained Earnings	88,967,000
Total	**200,132,000**
Common Stock in Treasury, at cost 1972, 699,453 shares	(15,494,000)
Total Shareholders' Equity	**$184,638,000**

Not Using Word "Capital"

CARRIER CORPORATION (OCT)

STOCKHOLDERS' EQUITY	
Senior Preferred Stock, par value $50 per share; 4½% Series– authorized 162,651 shares; outstanding 144,729 shares	$ 7,236,000
Cumulative Preferred Stock, without par value; authorized 5,000,000 shares:	
$2.25 Series stated at $50 per share; authorized 9,000 shares; outstanding 8,000 shares	400,000
$3.00 Series, stated at $50 per share; authorized 115,031 shares; outstanding 112,810 shares	5,641,000
Common Stock, par value $2.50 per share; authorized 50,000,000 shares; outstanding 24,102,626 shares .	60,257,000
	73,534,000
Amounts contributed in excess of par value	24,241,000
Earnings retained	212,104,000
Total Stockholders' Equity	**$309,879,000**

FREEPORT MINERALS COMPANY (DEC)

STOCKHOLDERS' EQUITY	
Common stock, par value $5, authorized 40,000,000 shares, issued 15,536,740 shares December 31, 1972	$ 77,684,000
Excess of amount paid in over a par value of common stock	11,217,000
Retained earnings	148,315,000
	$237,216,000

RETAINED EARNINGS

Accounting Terminology Bulletin No. 1, recommends:

> 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 2–52 indicates a continuing decline in the use of the term earned surplus and an increase in the use of the term retained earnings.

The practices of dating retained earnings, discussed in *ARB No. 46*, and designating a portion of retained earnings as appropriated for specific purposes, discussed in Chapter 6 of *ARB No.43*, are not widely used by the survey companies. Two companies show dated retained earnings and 4 companies show appropriated retained earnings. Examples of these practices are included in the following examples of captions for retained earnings.

Retained Earnings

ACME MARKETS, INC. (MAR)

SHAREHOLDERS' EQUITY:	
Preferred stock of $1 par value. Authorized 1,000,000 shares; issued none	$ --
Common stock of $1 par value. Authorized 10,000,000 shares; issued 3,506,834 shares	3,507,000
Capital in excess of par value of common stock	133,889,000
Earnings retained for use in the business, less amount capitalized through stock dividends	54,965,000
	192,361,000
Less 19,876 shares common treasury stock, at cost.	872,000
Total shareholders' equity	**$191,489,000**

TABLE 2-52: RETAINED EARNINGS — CAPTION TITLE

	1972	1971	1970	1969
"Retained Earnings"	429	420	408	394
"Retained earnings" with additional words	33	46	55	54
"Earnings" with additional words	68	57	57	70
"Income" with additional words	33	32	32	34
"Earned Surplus"	21	27	32	38
Other title	1	1	1	1
Subtotal	**585**	**583**	**585**	**591**
Companies with deficits	15	17	15	9
Total	**600**	**600**	**600**	**600**

F&B/CECO INDUSTRIES, INC. (MAY)

SHAREHOLDERS' EQUITY	
Common Stock– $.25 par value: Authorized– 1,500,000 shares Issued– 1972– 1,197,147 shares	$ 299,287
Additional Paid-in Capital	1,648,339
Retained Earnings (Since June 1, 1964)	256,232
	$2,203,858

W.T. GRANT COMPANY (JAN)

CAPITAL:	
Cumulative Preferred– $100 par value: Authorized 250,000 shares Issued 85,998, of 3¾% series	$ 8,599,800
Common–$1.25 par value: Authorized 22,500,000 shares Issued 14,870,198	18,587,748
Paid-in capital	84,717,986
Amounts paid by employees under purchase contracts for Common Stock	1.429,077
Earnings retained for use in business	261,153,443
	374,488,054
Less 876,794 and 655,009 shares, respectively, of treasury Common Stock, at cost	40,149,488
Total Capital	**$334,338,566**

WM. WRIGLEY JR. COMPANY (DEC)

STOCKHOLDERS' EQUITY:	
Capital stock, no par value– Authorized and issued– 2,000,000 shares	$ 19,200,000
Accumulated earnings retained for use in the business	109,130,000
Accumulated earnings appropriated for guarantees under employment assurance contracts	2,000,000
	130,330,000
Less capital stock in treasury, at cost (31,516 shares)	1,502,000
Total stockholders' equity	**$128,828,000**

Earnings

AMERICAN SMELTING AND REFINING COMPANY (DEC)

STOCKHOLDERS' EQUITY	
Preferred Stock Authorized– 10,000,000 shares without par value (none issued)	
Common Stock Authorized– 40,000,000 shares without par value Issued– 27,678,223 shares	$339,239
Additional Capital	6,792
Earnings Employed in the Business	360,706
	706,737
Less: Treasury Stock, at cost– 1,012,446 shares	24,156
Total Stockholders' Equity	**$682,581**

ELI LILLY AND COMPANY (DEC)

SHAREHOLDERS' EQUITY— NOTES F AND G

Common stock— par value $.62½ a share:	
Authorized shares: 80,000,000	
Issued shares: 1972— 68,954,046	$ 43,096,279
Additional paid-in capital	66,382,352
Reinvested earnings	512,486,914
	621,965,545
Cost of common stock in treasury (deduction)— 393,560 shares	(3,738,518)
Total Shareholders' Equity	**$618,227,027**

Income

THE HOOVER COMPANY (DEC)

STOCKHOLDERS' EQUITY

Common Stock— par value $2.50 a share:	
Authorized 15,000,000 shares at December 31, 1972	
Issued 13,557,035 shares at December 31, 1972 (including shares held in treasury)	$ 33,892,588
Other Capital	11,563,820
Income Employed in the Business	141,805,970
	187,262,378
Less cost of 278,613 shares of Common Stock held in treasury	6,400,413
Total Stockholders' Equity	**$180,861,965**

Deficit

HMW INDUSTRIES, INC. (JAN)

SHAREHOLDERS' EQUITY

Capital stock, common $1 par:	
Authorized 6,000,000 shares	
Issued 2,979,108 shares	$2,979,000
Capital in excess of par value	15,936,000
Deficit	(9,022,000)
	9,893,000
Less 129,720 shares of treasury stock, at cost	628,000
	$9,265,000

LIQUIDONICS INDUSTRIES, INC. (JUN)

SHAREHOLDERS' DEFICIENCY

7½% cumulative preferred stock— par value $100 a share; authorized— 5,000 shares; issued and outstanding— 1,612 in 1972	$ 161,200
Common stock—par value S.01 a share; authorized—2.250.000 shares: issued and outstanding—1.439.657	14.397
Additional paid-in capital	21,285,778
(Deficit)	(33,886,993)
	$(12,425,618)

POTTER INSTRUMENT COMPANY, INC. (JUN)

STOCKHOLDERS' EQUITY (NOTES 3 and 5)

Common stock		
Authorized 3,000,000 shares at $.25 per value		
Issued 2,756,951 shares— 1972 and 1971	$ 689,238	$ 689,238
Paid-in capital	20,018.411	19.778,411
Retained earnings (deficit)	(2,424,250)	10,708,294
	18,283,399	**31,175,943**
Less: Treasury stock— 500 shares, at cost	3,128	3,128
	$18,280,271	**$31,172,815**

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 2-39.

TABLE 2-53: RESTRICTIONS ON RETAINED EARNINGS

Source of Restrictions	**1972**	**1971**	**1970**	**1969**
Bond or note indentures, credit agreements	407	404	413	420
Preferred stock or certificate of incorporation	18	19	12	11
Total	**425**	**423**	**425**	**431**
Nature of Restrictions				
Limitation on retained earnings only	168	180	194	198
Limitation on retained earnings and working capital	88	98	105	96
Limitation on retained earnings, working capital and other restrictions	112	99	77	73
Limitation on retained earnings and other restrictions	36	28	29	35
Other restrictions	21	18	20	29
Total	**425**	**423**	**425**	**431**
Number of Companies				
Referring to restrictions	425	423	425	431
Not referring to restrictions	175	177	175	169
Total	**600**	**600**	**600**	**600**

Restrictions Imposed by Indebtedness

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 3 (in part): The provisions of the loan agreements and the indenture for the 5¾% convertible subordinated debentures require, among other things, that the Company restrict the use of funds for the payment of cash dividends or reacquisition of the Company's capital stock; at December 31, 1972, $4,200,000 of retained earnings was free of such restriction. In addition, the Company must maintain consolidated working capital of at least $13,500,000; at December 31, 1972, consolidated working capital was $33,610,557. Also the Company must maintain a debt-equity ratio of not more than 125%; at December 31, 1972 the debt-equity ratio was 92%.

THE EASTERN COMPANY (DEC)

Notes to Consolidated Financial Statements

Note B (in part): Long-Term Debt—The loan agreement covering the 6½% note payable to bank provides, among other things, that the Company will maintain consolidated net working capital of not less than $6,000,000 and consolidated net worth of not less than $10,000,000. In addition, payments for dividends, property, plant and equipment additions and lease rentals are limited on a cumulative basis to the total of current net income, depreciation, and $167,800 of lease rentals, less amounts currently due to bank under the loan agreement. Approximately $196,000 at December 30, 1972 and $245,000 at January 1, 1972 was available to carry over to the respective succeeding years for such payments.

CHRIS-CRAFT INDUSTRIES, INC. (AUG)

Notes to Consolidated Financial Statements

Note (5) (in part): Long Term Debt and Restrictions—The agreements relating to the Company's long-term debt contain provisions restricting the payment of cash dividends and also require the maintenance of minimum working capital. Under the provisions of the indenture relating to the 6% convertible subordinated debentures, which provisions are most restrictive as to the payment of cash dividends, as of August 31, 1972, on the $2.00 convertible preferred stock and the common stock, all of the Company's retained earnings and approximately $2,500,000 of future earnings are so restricted. The provisions of the $15,000,000 bank credit agreement are restrictive as to the payment of cash dividends on common stock and also restrict the payment of dividends on preferred stock in any one year in excess of $500,000. Accordingly, all of the Company's retained earnings (excluding $500,000 yearly for preferred dividends) and approximately $8,600,000 of future earnings are so restricted.

COLLINS RADIO COMPANY (JUL)

Notes to Financial Statements

Note 4: Notes Payable and Long-Term Liabilities—A bank credit agreement extending through November 30, 1972 provides for lines of credit up to $55,000,000 of which $39,000,000 was in use at July 28, 1972. Of this line of credit, $5,000,000 is conditional upon additional investments of an equal amount in the Company by North American Rockwell Corporation. Certain receivables and inventories in the approximate amount of $75,300,000 at July 28, 1972 are assignable upon request of the lenders as collateral under the terms of the bank credit agreement and the 5⅜% and 6¾% Senior Notes.

Under the most restrictive provisions of its credit agreements the Company is required, among other things, to:

(a) maintain working capital of the parent company and its domestic subsidiaries of at least $41,912,000 (at July 28, 1972 working capital was $47,734,000).

(b) maintain tangible net worth plus subordinated indebtedness of the parent company and its domestic subsidiaries, of at least $76,592,000 (at July 28, 1972 tangible net worth plus subordinated indebtedness was $80,533,000).

(c) not pay any cash dividends upon common stock.

(d) limit the payment of cash dividends upon preferred stock. At July 28, 1972, no amounts were available for payment of such preferred stock dividends under these limitations. In the event of conversion of preferred stock into shares of Class A Common Stock any dividends in arrears would be satisifed by issuance of additional shares of Class A Common Stock. See Note 6 regarding dividends in arrears at July 28, 1972.

EMPIRE GAS CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 3 (in part): Long-Term Debt—In accordance with the terms of the loan agreement covering the term loans and the revolving credit loan, the Company agrees to maintain consolidated working capital of not less than $2,000,000. The loan agreement also provides that the Company's senior debt (long-term debt not subordinated) shall at no time exceed 50% of its total capitalization (all long-term debt and stockholders' equity). In addition, the Company has agreed to certain restrictions on the pledging, selling, merging or consolidation of the assets or business.

Under a further restriction in the loan agreement, the Company has agreed not to pay nor to allow any subsidiary to pay any cash dividend on its common shares or to acquire, for value, any shares of any class of the Company, except upon conversion thereof into other shares, if, upon giving effect to such dividend, acquisition or retirement, the aggregate amount expended for all such purposes in any fiscal year would exceed 50% of the following amount: (a) consolidated net income plus depreciation during the preceding year, less (b) principal payments on the term notes, dividends on convertible preferred shares and improvements of and additions to fixed assets during the preceding year (excluding acquisitions of complete operating businesses and capital improvements thereto made within 90 days after acquisition).

By virtue of the above restrictions upon the payment of cash dividends, the Company may not pay dividends on its common stock during the fiscal year ending June 30, 1973.

HUDSON PULP & PAPER CORP. (DEC)

Note A (in part): Long—Term Debt—The 5¾% Promissory Notes are due annually in installments of the greater of $2,000,000 or 30% of annual income (as defined) from 1973 to 1984, inclusive, the balance becoming due on January 15, 1985. The Notes provide, among other matters, for (1) the maintenance of minimum amounts of working capital, (2) certain restrictions on the creation of long-term debt and (3) certain restrictions on the payment of cash dividends and on capital stock purchases and redemptions ("Restricted Payments"). Under the terms of the Notes, Restricted Payments are charged against a fund which is generated by 75% of net income (as defined). As at December 31, 1972, the fund was in a deficit position of approximately $800,000 because of a cash dividend paid on common stock under a waiver and other permitted Restricted Payments as mentioned hereinafter; consequently, no surplus was available for the payment of cash dividends. The Company may, however, pay dividends on or operate sinking funds applicable to preferred stock outstanding without regard to the restrictions.

LYKES-YOUNGSTOWN CORPORATION

Notes to Financial Statements

Note 8: Restricting on Dividends, Working Capital, Etc.— The Company's credit agreements with banks contain restrictions as to, among other things, the amount of debt, net worth, dividends to common and preferred shareholders and acquisition of treasury stock (unless prior written approval of the banks is obtained for modification). Consolidated fixed indebtedness (excluding subordinated debt) is limited to 85% of consolidated net worth which must be maintained at not less than $500,000,000; pursuant to such convenants $129,006,000 of retained earnings were not restricted at December 31, 1972.

Youngstown's credit agreement regarding notes payable to banks requires Youngstown to maintain consolidated working capital of not less than $150,000,000 and consolidated net tangible assets, as defined, of not less than $597,260,000. At December 31, 1972, such consolidated working capital and net tangible assets were $195,344,000 and $634,524,000 respectively.

Under the provisions of the first mortgage sinking fund bonds, dividends and certain investments shall not exceed the sum of the consolidated net earnings of Youngstown and its consolidated subsidiaries after December 31, 1969, and $50,000,000. Thus, retained earnings of Youngstown in the amount of $25,966,000 were not restricted, under these provisions, at December 31, 1972.

Under the subsidy agreement, Lykes is required to maintain a conservative dividend policy and annual cash dividends to the parent company are, with certain exceptions, limited as specified by regulation. Earnings of Lykes aggregating $7,687,000 were not restricted at December 31, 1972.

PALL CORPORATION (JUL)

Notes to Consolidated Financial Statements

Note 4 (in part): Long-term Debt

	Due	
	Within One Year	After One Year
6⅜% Promissory Note due as follows: $66,500 on May 1, 1973 and on May 1, 1974 and $428,500 on May 1, 1975. The note agreement requires the Company to maintain consolidated working capital (as defined) at not less than $10,350,000 ($10,750,000 after July 31, 1972), and places certain restrictions on the creation of additional indebtedness and on various other corporate actions, including the payment of dividends. At July 31, 1972 the amount of consolidated retained earnings subject to restriction was $5,565,148 and consolidated working capital as defined was $10,771,935	$66,500	$495,000

TYSON FOODS, INC.

Notes to Financial Statements

Note 4 (in part): Long-Term Debt— The most restrictive provisions of the various long-term debt agreements require the company, among other things, to maintain consolidated working capital of $12,000,000 and consolidated current assets of not less than 185% of consolidated current liabilities (as determined after reducing consolidated current liabilities for 90% of the income tax timing differences included therein), to liquidate short-term bank borrowings which are not to exceed $4,000,000 at any one time for at least sixty consecutive days during each fiscal year, to limit purchase money mortgages up to an aggregate of $500,000, no single such mortgage indebtedness to exceed 75% of the fair market value of the purchased property or the purchase price, whichever is the lesser, and to limit cash dividends in any fiscal future year to 60% of the remainder of consolidated net income after taxes less $1,000,000. All of the Company's retained earnings are thus restricted at September 30, 1972.

Restrictions Imposed By Preferred Stock Or Certificate of Incorporation

CARRIER CORPORATION (OCT)

Notes to Consolidated Financial Statements

Restrictions on Earnings Retained— The long-term debt agreements and the provisions of the preferred stock issues include certain restrictions as to the payment of dividends and other distributions. Approximately $59,940,000 of earnings retained was free of such restrictions as of October 31, 1972.

ETHYL CORPORATION (DEC)

Notes to Financial Statements

Note 9: Retained Earnings Restriction— The Corporation's articles of incorporation and note agreements contain restrictions, among others, against the payment of cash dividends. At December 31, 1972, $28,658,000 of retained earnings is free of such restriction under the agreement presently most restrictve.

REYNOLDS METALS COMPANY (DEC)

Notes to Consolidated Financial Statements

Note I (in part): Preferred Stocks— 2,000,000 shares of the Preferred Stock with a par value of $50 per share, issuable in series, are authorized. 800,000 shares of 4¾% Series A were issued, of which 319,536 shares were outstanding at December 31, 1972 (354,236 at December 31, 1971,) after deducting shares retired or purchased for retirement. During 1972 and 1971, 34,700 shares and 32,700 shares, respectively, were purchased for retirement. The stock is redeemable at the option of the Company at $51 per share.

By December 31 of each year, the Company is required to set aside in a sinking fund (subject to certain restrictions contained in agreements underlying First Mortgage Bonds and notes payable to banks) to be applied on or before the following February 15, an amount sufficient to redeem 32,000 shares of this stock at $50 per share plus accrued dividends to date of redemption. At December 31, 1972, the Company had purchased shares to meet sinking fund requirements through that date.

Note L: Dividend Restrictions and Maintenance of Net Current Assets— Agreements underlying First Mortgage Bonds, notes payable to banks, Convertible Subordinated Debentures and preferred stocks restrict cash dividends (and certain other stock payments) on Common Stock. At December 31, 1972, the amount of consolidated retained earnings free from restriction under the most restrictive covenant of these agreements was approximately $37,000,000. The Company has also covenanted to maintain consolidated net current assets of at least $175,000,000. The terms of the Preferred Stock provide that dividends on Common Stock may not be paid during any period when the sinking fund for the Preferred Stock may be in default (see Note I).

STOCK OPTION AND STOCK PURCHASE PLANS

Chapter 13B of *ARB No. 43,* which discusses stock option and stock purchase plans, states in paragraph 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.

APB Opinion No. 25, issued in October 1972 and effective "to all stock option, purchase, award, and bonus rights after December 31, 1972" reaffirms the disclosure requirements of paragraph 15.

Examples of stock option and stock purchase plans of a noncompensatory nature follow. Compensatory plans are discussed in connection with Table 3-10.

TABLE 2-54: STOCK OPTION PLANS

Relation of Option Price to Market Value at Date of Grant of Option	**1972**	**1971**	**1970**	**1969**
Not less than market	383	371	360	354
Not less than 95% of market value	27	54	51	66
90% or less	8	8	13	25
Not disclosed	156	164	160	145
Total Plans	**574**	**597**	**584**	**590**
Number of Companies				
Referring to stock option plans	536	533	538	528
Not referring to stock option plans	64	67	62	72
Total	**600**	**600**	**600**	**600**
Number of companies with stock purchase plans	69	81	77	79

Stock Option Plans

ADDRESSOGRAPH MULTIGRAPH CORPORATION (JUL)

Financial Review and Summary of Accounting Policies

Stock Options— Under the Qualified Stock Option Plan approved by the shareholders in 1968, 150,000 shares of common stock were provided for the granting of options to officers and other key employees. Options have been granted at prices equal to the fair market value on the date of the grant, and become exercisable in amounts approximating 25% of the grant on the anniversary date of the grant in each of the four succeeding years. No option is exercisable after five years from the date of the grant. On November 4, 1971, the shareholders approved a new stock option plan. No additional grants will be made under the 1968 Plan and the shares remaining available for grants have been released from the reserve category.

Under the 1971 Plan, both qualified and non-qualified options may be granted simultaneously; the optionee may elect to exercise either option or a combination of the two. The number of shares purchasable under one such option will be reduced on a one-for-one basis as shares are purchased under the other option. A total of 200,000 shares has been reserved for issuance under this Plan.

The qualified stock option provisions of the 1971 Plan are substantially the same as those in the 1968 Plan. Provisions of the 1971 Plan relating to non-qualified options differ primarily in that they are exercisable for ten years after tha date of grant instead of five and can be exercised even though prior grants of qualified options remain unexercised.

Data relating to both stock option plans is shown below:

1968 Plan	Shares	Price Range
Shares under option at July 31, 1971	85,128	$23.44-$80.00
Options terminated	4,190	26.00-80.00
Options exercised	175	26.00-26.85
Shares under option at July 31, 1972	80,763	23.44-80.00
Exercisable options at July 31, 1972	47,929	23.44-80.00
1971 Plan		
Options granted	27,900	37.88-41.00
Options terminated	1,000	37.88
Shares under option at July 31, 1972	26,900	37.88-41.00
Exercisable options at July 31, 1972	None	
Shares available for future grants at July 31, 1972	173,100	

ANHEUSER-BUSCH, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 3 (in part): Changes in Capital—Under a stock option plan adopted by the shareholders in 1967, 1,817,951 shares of common stock were reserved at December 31, 1972, for issuance to officers and key employees. Options granted under this plan expire in 1973, and the option price is 100% of fair market value of shares at date granted. At December 31, 1972, options covering 12,913 shares were outstanding and exercisable at $34.06 per share. During 1972 and 1971, options covering 84,125 shares and 174,776 shares, respectively, were exercised at prices ranging from $20.38 to $34.06 per share, and options covering 7,050 shares and 8,000 shares, respectively, were terminated. During 1971 the remaining options outstanding under the 1955 stock option plan, covering 12,260 shares, were exercised at a price of $6.17 per share.

APCO OIL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Stock Options—No Accounting is made with respect to stock options until such time as they are exercised. At that time, the excess of the proceeds over the par value is credited to additional paid-in capital. If the grantee, in lieu of purchasing the optioned shares, is paid in cash or in shares of common stock for the increase in the market value of the stock over the option price, such payment is charged to earnings as compensation.

Note 7: Capital Stock—At December 31, 1972 and 1971, the Company had options outstanding to purchase shares of its common stock under the 1963, 1967 and 1972 stock option plans. Options granted are exercisable during a five-year period with 20% of the shares being exercisable nine months from the granting date and an additional 20% on each subsequent anniversary date. The following is a summary of the transactions during 1972 and 1971 for shares under option:

	1972	**1971**
Balance at beginning of year	148,662	140,256
Options granted at $18.44 to $27.69 per share in 1972 and $19.75 and $25.75 in 1971	38,000	83,256
Options exercised at $18.99 and $19.66 per share in 1972 and $20.45 in 1971	(11,781)	(6,260)
Options expired or terminated	(6,841)	74,313)
Adjustment for 4% stock dividend	6,721	5,723
Balance at end of year	**174,761**	**148,662**
Options exercisable at end of year at $18.26 to $23.44 per share in 1972 and $19.66 and $21.90 in 1971	67,499	42,328
Additional shares available for grant at end of year	27,223	58,382

The 1972 plan authorizes the granting of qualified stock options, non-qualified stock options or combinations of both. Under the terms of the plan, the grantee may be given the right to request the increase in the market value from the date of grant to the date of exercise be paid in cash or shares of common stock in lieu of the purchase of the shares exercised. If such request is approved, the amount paid will be charged to earnings. During 1972, $43,641 was charged to earnings through exercise of such options. At December 31, 1972, the market value of the remaining options granted exceeds the option price of the options by approximately $340,000; the market value of these shares exercisable at December 31, 1972, exceeds the option price by approximately $54,000.

The Company has authorized 400,000 shares of $1.00 par value preferred stock, none of which has been issued at December 31, 1972.

Included in issued shares of common stock at December 31, 1972 and 1971 are 102,391 shares and 98,358 shares, respectively, issued as stock dividends in January, 1973 and 1972, respectively.

AMERADA HESS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7: Stock Option Plans—Under the stock option plans, options have been granted to key employees to purchase preferred and common shares of the Corporation at prices of not less than 95% (under the restricted plans) and 100% (under the qualified plans) of fair market value at date of grant. The transactions during 1971 and 1972 are summarized below:

	Preferred stock			Common stock		
	Number of shares	Option price per share		Number of shares*	Option price per share*	
Outstanding January 1						
1971	69,600	$39.40	-$87.70	181,572	$10.25	-$51.07
1972	14,340	$44.80	-$87.70	125,437	$10.25	-$44.92
Granted						
1971	--	--	--	26,266	$41.82	-$44.92
1972	--	--	--	50,469	$45.32	-$45.85
Exercised						
1971	54,560	$39.40	-$87.70	47,772	$10.25	$41.78
1972	4,740	$44.80	-$87.70	53,725	$10.25	-$39.21
Cancelled						
1971	700	$87.70	.	34,629	$19.04	-$51.07
1972	500	$87.70	.	19,653	$23.59	-$44.92
Outstanding December 31						
1971	14,340	$44.80	-$87.70	125.437	$10.25	-$44.92
1972	9,100	$87.70	.	102,528	$11.25	-$45.85
Options exercisable December 31						
1971	14,340	$44.80	-$87.70	73,092	$10.25	-$39.21
1972	9,100	$87.70	.	27,900	$11.25	-$41.82
Available for future grants December 31						
1971	--	.	.	90,309	.	.
1972	--	.	.	56,111	.	.

*Adjusted for 2½% stock dividends paid in 1971 and 1972.

THE BENDIX CORPORATION (SEP)

Notes to Consolidated Financial Statements

Stock Option Plan—Under the Stock Option Plan, as amended, certain employees have been granted options to purchase Common Stock at prices which represented 100% (95% for options granted prior to January 1, 1964) of the fair market value, as adjusted for stock dividends and stock splits, on the dates the options were granted. No option may be exercised earlier than one year from the date on which the option is granted and generally options become exercisable in three equal annual installments beginning with the first anniversary of the date of grant.

Certain information with respect to the Plan is summarized below:

	Number of Shares Under Option	Option Price Per Share
October 1, 1970	408,911	$21.50 to $51.75
Granted	182,750	26,40 to 35.75
Exercised	24,739	21,50 to 41.00
Terminated or cancelled	193,678	21.50 to 51.75
September 30, 1971	374,244	21.50 to 49.00
Granted	88,400	40.15 to 46.15
Exercised	53,266	21.50 to 46.15
Terminated or cancelled	39,738	21.50 to 48.65
September 30, 1972	369,640*	21.50 to 49.00

*Includes 157,249 shares exercisable.

The maximum number of shares for which additional options might be granted under the Plan was 105,910 shares, 114,934 shares, and 64,680 shares at October 1, 1970, September 30, 1971, and September 30, 1972, respectively.

THE BOHACK CORPORATION (JAN)

Notes to Consolidated Financial Statements

Note 5: Common Stock and Stock Options—At January 27, 1973, and January 29, 1972, 93,496 and 98,189 shares of the Company's common stock were reserved for issuance under the terms of two stock option plans for key employees. Under these plans, options may be granted at not less than the fair market value of the stock on the date of grant and are exercisable at the rate of 25% per year, commencing one year after date of grant, or in any other manner as determined by the Board of Directors; the options expire five years after the date of grant. The following is a summary of stock option transactions for the fifty-two week periods ended January 27, 1973, and January 29, 1972:

Changes in Options Granted	No. of Shares	Option Prices Per Share	Aggregate
January 30, 1971	85,451	$8.010 -20.725	$1,182,869
Granted	6,500	17.250	112,125
Cancelled	(4,941)	9.667 -16.721	(62,189)
Exercised	(14,052)	8.010 -14.573	(153,214)
January 29, 1972	72,958	9.667 -20.725	1,079,591
Granted	5,375	9.125	49,047
Cancelled	(10,199)	9.667 -17.250	(141,635)
Exercised	(4,693)	9.667 -14.172	(60,622)
January 27, 1973	63,441	9.125 -20.725	926,381
Changes in Options Which Became Exercisable			
January 30, 1971	50,619	$ 8.015 -20.725	$ 757,387
Became exercisable	12,340	8.010 -20.725	149,407
Cancelled	(386)	16.667	(6,433)
Exercised	(14,052)	8.010 -14.573	(153,214)
January 29, 1972	48,521	9.667 -20.725	747,147
Became exercisable	4,689	9.667 -20.725	76,122
Cancelled	(5,505)	11.917 -17.250	(79,262)
Exercised	(4,693)	9.667 -14.172	(60,622)
January 27, 1973	**43,012**	**9.667 -20.725**	**$ 683,385**

COLT INDUSTRIES INC. (DEC)

Notes to Financial Statements

Note 6: Stock Option Plans—Pursuant to a stock option plan approved by the shareholders, the Company was authorized to grant to officers and key employees options to purchase common stock at prices based on the market price on the day of grant.

The status of stock options at December 31, 1972, is summarized as follows:

	Shares	Price Per Share
Outstanding at beginning of year	282,909	$13.69- $32.00
Granted	25,100	18.44- 20.88
Exercised	6,677	13.69- 13.94
Cancelled or expired	26.513	
Outstanding at end of year:		
Exercisable	125,852	13.69- 32.00
Unexercisable	148,967	13.69- 32.00
Available for grant at end of year	**65,704**	

In addition, options under pre-affiliated qualified plans were outstanding as to 17,576 shares of common stock and 2,645 shares of Series D preferred stock. No options were exercised pursuant to such plans during 1972.

THE DUPLAN CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note 5 (in part): Capital Stock: Qualified Stock Option Plans—Pursuant to the Corporation's stockholder-approved qualified stock option plans, common stock is available for options at prices not less than the fair market value at date of grant. The options granted are exercisable at various dates to July, 1977. At September 30, 1972, options for 25,247 shares were exercisable. Additional data with respect to qualified stock options is as follows:

	Number of Shares	Option Price
Shares under option, September 30, 1971	59,444	$ 7.34 to $46.98
Year ended September 30, 1972:		
Options granted	70,500	$12.88 to $21.38
Options exercised	(13,361)	$ 7.34
Options canceled	(12,311)	
Shares under option, September 30, 1972	**104,272**	**$12.88 to $46.98**
Shares available for option	**14,731**	

No charges to income are made at any time for these qualified stock options. Upon the exercise of options, the excess of the option price received over the par value of the shares issued is added to paid-in capital.

Nonqualified Stock Option Plan—Pursuant to the Corporation's stockholder-approved nonqualified stock option plan, common stock is available for options to key employees, directors of the Corporation, or any consultant or agent retained by the Corporation. Under the terms of this plan, options may be granted at prices above or below the fair market value of the Corporation's common stock on date of grant.

Under the nonqualified stock option plan, compensation is measured to the extent that the option price is less than the market price on date of grant. Such compensation is charged to income over the period of the related option. No charges to income are made at any time for options which are granted at a price higher than the market value on date of grant. Upon the exercise of such non-qualified options, the excess of the option price received over the par value of the shares issued is added to paid-in capital.

The options granted are exercisable at various dates to February, 1982. At September 30, 1972, options for 3,560 shares were exercisable. Additional data with respect to nonqualified stock options is as follows:

	Number of Shares	Option Price
Shares under option, September 30, 1971	12,240	$19.61
Year ended September 30, 1972:		
Options granted	22,000	$20.00 to $20.50
Options canceled	(5,610)	
Shares under option, September 30, 1972	**28,630**	**$19.61 to $20.50**
Shares available for option	**71,610**	

There are 20,000 shares under an option granted in February, 1972 at an option price per share of $20.50. The exercise price of this option is subject to reduction based on certain pre-tax earnings of the Corporation for each fiscal year during the initial five-year period of the option. In addition, if under certain circumstances defined in his employment agreement, the employee terminates his obligations thereunder, the option price would be reduced.

PORTEC, INC. (DEC)

Notes to Financial Statements

Note 2: Stock Options—The Company has a Stock Option Plan for key employees and a related Alternate Stock Plan. Options under the Stock Option Plan are granted at prices not less than market value on date of grant and are exercisable within five years after such date. Rights may be granted under the Alternate Stock Plan only in relationship to the same shares covered by options granted under the Stock Option Plan. To the extent that an employee exercises his option under the Stock Option Plan the number of shares which may be issued to him under the Alternate Stock Plan will be reduced. The maximum number of shares that could be issued under these plans was 54,340 and 54,440 at December 31, 1972 and 1971. Upon expiration of an employee's option under the Stock Option Plan, such an employee with related rights under the Alternate Stock Plan may, by exercise of such related rights, receive a portion or all of the shares remaining unexercised under his option without payment, with the number of shares to be received determined by a formula at date of exercise of the rights. The ultimate price to the employee of the shares issuable under the Alternate Stock Plan cannot be determined until date of expiration of the related option. Proceeds of exercised options in 1972 and 1971 were credited by the Company to capital account for par value of the issued shares and the balance thereof to additional capital. Compensation to participants, if any, that may be involved in future exercises of options and rights can be determined only at the exercise date and no compensation would be involved if outstanding options were exercised at the date of this report. Status of options and rights are as follows:

	Stock Option Plan December31,		Related Rights Under Alternate Stock Plan December 31,	
	1972	1971	1972	1971
Shares Covered By Options				
Granted prior years	53,000	53,000	16,500	– –
Granted current years	11,500	– –	11,500	16,500
Cancelled prior years	(12.940)	(3.800)	(1,875)	– –
Cancelled current year	(5,375)	(9,140)	(4.350)	(1,875)
Exercised prior years	(15,560)	(15,460)	– –	– –
Exercised current years	(100)	(100)	– –	– –
Unexercised December 31	**30,525**	**24,500**	**21,775**	**14,625**
Ungranted December 31	23,815	29,940	– –	– –
Exercised to December 31	15,660	15,560	– –	– –
Totals	**70,000**	**70,000**	**21,775**	**14,625**
	1972		**1971**	
Option prices per share				
Granted in prior years	$16.00	to $34.00	$16.00	to $34.00
Granted in current years	$17.5625		– –	
Exercised current years	$17.5625		$16.50	
Market Price at exercise	$21.50		$22.50	
Total price unexercised shares	$567,775		$559.836	
Market price unexercised shares	$553,266		$375,156	

UMC INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 8: Stock options—Under the qualified stock option plan adopted in 1969, options to purchase a total of 350,000 shares of common stock were authorized for grant to officers and key employees at not less than 100% of the fair market value of the stock on the date of grant; the options expire five years from date of grant.

At December 31, 1972, options were outstanding on 268,525 shares of common stock (260,000 shares at December 31, 1971) at prices ranging from $10.19 to $27.38, an aggregate of $4,915,000, of which options on 124,200 shares were exercisable (125,700 shares at December 31, 1971). Options on 63,775 shares could be granted under the plan.

During 1972, options on 48,800 shares were granted (159,000 shares in 1971) at prices ranging from $21.00 to $27.38, an aggregate of $1,110,000, options as to 22,000 shares became exercisable at pricing ranging from $10.19 to $22.50, options as to 17,700 shares were exercised for aggregate proceeds of $292,832 and options on 22,575 shares were canceled (7,600 shares in 1971). With respect to options exercised in 1972, 3,000 shares were issued from the Company's treasury shares. The excess ($19,650) of the cost of such treasury shares over the proceeds received ($35,061) was charged to capital in excess of par value. With respect to the remaining 14,700 shares the excess ($221,021) of the proceeds received over the par value of such shares was credited to capital in excess of par value.

Under UMC's Alternate Stock Plan, rights may be granted only to holders of qualified stock options. Each right, exercisable during the thirty days following expiration of the related qualified option, entitles the holder to receive upon exercise, without payment, common stock which is equivalent in value to 150% of the excess of the fair market value of the stock on the date of expiration of the related qualified option over that at the date of the grant of the right. Shares issued upon exercise of the right may not exceed the number of shares remaining unexercised under the related qualified option at the date of its expiration. At December 31, 1971, rights as to 257,900 shares had been granted to holders of qualified options; the fair market value of the common stock on the dates of grant ranged from $10.25 to $22.50. During 1972 rights as to 48,800 shares were granted (159,000 shares in 1971) when the fair market value of the common stock ranged from $21.00 to $27.38 per share, an aggregate of $1,110,000, and rights as to 39,575 shares were canceled (7,600 shares in 1971). At December 31, 1972, rights as to 267,125 shares were outstanding with related fair market values at dates of grant ranging from $10.25 to $27.38 per share. No rights are presently exercisable.

Compensation costs have been computed with respect to the value of rights granted subsequent to March, 1971. Such costs, which are not material to the accompanying consolidated financial statements, are being charged to income over a five year period.

At December 31, 1972, options as to 250 shares were outstanding and exercisable at a price of $14.42 per share under a stock option plan adopted in 1959. During 1972, options under this plan on 200 shares were canceled; no options were granted or exercised in 1971 or 1972. No additional options may be granted under this plan.

Stock Purchase Plans

BECKMAN INSTRUMENTS, INC. (JUN)

Consolidated Statement of Shareholders' Equity

	Capital stock common, $1 par value	*Capital in excess of par value*	*Retained earnings*	*Total shareholders' equity (000)*
	(000)	(000)	(000)	(000)
Balance at beginning of year	$3,546	$20,847	$47,867	$72,262
Net income for the year			4,834	4,834
Cash dividends–$.50 per share .			(1,778)	(1,778)
Sales of common stock to officers and employees under stock option plan *(Note 8)*	2	57		58
Sales of stock under employee stock purchase plan *(note 8)* ...	36	1,262		1,298
Balance at end of year	**$3,584**	**$22,167**	**$50,923**	**$76,675**

Note 8: Stock option plans and common stock reserved—Effective November 1971, the company adopted a non-qualified stock option plan under which the Board of Directors may grant options to all salaried officers and other salaried key management employees to purchase an aggregate of not more than 200,000 shares at a market price not less than 100% of the market price on the dates the options are granted. These options are exercisable in five equal annual installments commencing twenty-four months after the dates of grant and expire in ten years. During the year ended June 30, 1972, options were granted for 32,950 shares at a price per share of $40 to $58.38.

The company's "Qualified Stock Option Plan", which was adopted in 1964, provides for the issuance of common shares to officers and key employees at prices not less than 100% of market value on the dates the options are granted. Options are exercisable in three equal annual installments commencing eighteen months after the dates granted and expire in five years. At June 30, 1972, 300,779 shares were reserved for possible future issuance under the plan. Of the 100,496 shares exercisable at June 30, 1972, 54,268 shares are exercisable only after a higher price option is fully exercised. Transactions during the two years ended June 30, 1972, under this plan are summarized as follows:

	Price per share	Number of shares
Options:		
Outstanding, July 1, 1970	$36 to $77.25	146.719
Granted	$22 to $41	99.000
Exercised	$36.25	,1.334)
Cancelled	$22 to 77.25	(16.335)
Outstanding, June 30, 1971	$22 to $77.25	228,050
Granted	$35.25 to $38.50	33,000
Exercised	$22 to 47	(1,836)
Cancelled	$22 to $77.25	(17,282)
Outstanding, June 30, 1972	$22 to $77.25	241,932
Options exercisable at June 30, 1972 .	$22 to $77.25	100,496

The company's employees' stock purchase plan provides for the issuance of common shares to employees (other than officers and employees owning stock possessing 5% or more of the voting power of the company), on all outstanding options, at prices equal to 90% of market value on the date of grant or of exercise of options granted under the plan, whichever amount is lesser.

Transactions during the two years ended June 30, 1972, under this stock purchase plan are summarized as follows:

	Price per share	Number of shares
Shares reserved:		
June 30, 1970		125,784
Shares purchased–December 31, 1970	$19.80	29,184
June 30, 1971	24.08	23,752
June 30, 1971		**72,848**
Shares purchased–December 31, 1971	$34.88	17,997
June 30, 1972	37.46	17,892
June 30, 1972		**36,959**

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

Notes to Financial Statements

Note E: Stock Option and Employee Purchase Plans —Options may be granted under the Executive and Key Employee plan until January 27, 1973 and under the 1970 Stock Option Plan until January 25, 1980. These options become exercisable in four equal installments beginning one year from the date granted. There were 222,959 shares of Common Stock reserved for future granting of options at September 24, 1972 (250,094 shares at September 26, 1971).

Transactions are summarized as follows (adjusted for 4% stock dividend):

	Shares Under Option	Price Range
Outstanding at September 27, 1970	143,707	$24.68-$48.32
Granted	6,396	55.53- 72.00
Exercised	(38,217)	24.68- 48.32
Canceled or expired	(1,482)	27.64- 55.53
Outstanding at September 26, 1971 (43,274 shares exercisable)	110,404	27.64- 72.00
Granted	33,883	80.05- 93.51
Exercised	(29,608)	27.64- 55.53
Canceled or expired	(6,748)	27.64- 48.32
Outstanding at September 24, 1972 (38,510 shares exercisable)	107,931	27.64- 93.51

Under the Employees' Stock Purchase Plan adopted in 1966, 19,271 shares of Common Stock were purchased during fiscal 1971 at $47.25 as a result of subscriptions offered through 1970 at which time the plan expired.

Under the 1971 Employees' Stock Purchase Plan, employees may subscribe to common shares at 90% of the market value on the date offered or purchased, whichever is lower. Payment is made through payroll deductions over a period of 50 weeks and shares are issued when payment is completed.

Transactions under the 1971 Plan are summarized as follows:

	Shares Subscribed	Price
Subscriptions	24,031	$55.25
Cancellations	(1,051)	
Balance September 26, 1971	22,980	55.25
Subscriptions	17,851	80.13
Purchases	(21,921)	55.25-80.13
Cancellations	(1,710)	
Balance September 24, 1972	17,200	80.13

There were 100,864 shares of Common Stock reserved for future subscription at September 24, 1972 (117,005 shares at September 26, 1971).

Proceeds from the sale of stock issued under the qualified stock option and employees purchase plans are credited to the Common Stock account to the extent of par value and the remainder to capital in excess of par value of Common Stock; no charge is made to income.

CHICAGO BRIDGE & IRON COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 3: Employee stock purchase plan—Under the plan, which expires in 1977, employees may be granted rights to purchase an aggregate of 2,400,000 shares of common stock at 95% of the market value at the date of grant provided, however, that no more than 1,600,000 shares may be newly issued. In December 1971 (the date of initial grant under the plan), eligible employees were granted rights to purchase up to 520,000 shares at $32.78 per share. Generally, these rights may be exercised between March 1 and May 31, 1973, both dates inclusive. In December 1972, eligible employees were granted rights to purchase 120,000 shares at $67.21 per share. Generally these rights may be exercised between March 1 and May 31, 1974, both dates inclusive. Under special provisions of the plan applicable to newly retired employees, during October to the end of December 1972, 293 shares (all being treasury shares) were sold at $32.78 per share. Total shares available under the plan and 1971 rights granted and price per share have been restated to reflect the stock split described in Note 2.

TABLE 2-55: TREASURY STOCK — BALANCE SHEET PRESENTATION

Common Stock	**1972**	**1971**	**1970**	**1969**
Cost of treasury stock deducted from total of capital stock, additional capital (if any), and retained earnings (*99, 228, 363)	336	328	328	302
Par or stated value of treasury stock deducted from issued stock of the same class (*108, 186, 378)	63	63	69	69
Cost of treasury stock deducted from stock of the same class (*468, 469)	13	14	12	13
Shown as a noncurrent asset (*206, 304)	15	19	19	15
Other	17	22	25	18
Subtotal	**444**	**446**	**453**	**417**
Preferred Stock				
Cost of treasury stock deducted from total of capital stock, additional capital (if any), and retained earnings (*66, 153)	43	42	53	43
Par or stated value of treasury stock deducted from issued stock of the same class (*174, 300, 588)	32	32	37	38
Other	6	8	8	8
Subtotal	**81**	**82**	**98**	**89**
Total Presentations	**525**	**528**	**551**	**506**
Number of Companies				
Disclosing treasury stock	440	443	455	426
Not disclosing treasury stock	160	157	145	174
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TREASURY STOCK

Chapter 1B of *ARB No. 43,* as revised by *APB Opinion No. 6,* deals with accounting for treasury stock. Table 2-55 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.

Sixty-nine companies held both common and preferred treasury stock, 8 held only preferred treasury stock and 362 held only common treasury stock.

Examples of treasury stock presentations are shown below.

Deduction in Stockholders' Equity

ASSOCIATED DRY GOODS CORPORATION (JAN)

SHAREHOLDERS' EQUITY	
Cumulative preferred stock; par value $100.00; 170,394 shares authorized and unissued	
Common stock; par value $.50; 16,000,000 shares authorized; 13,584,193 shares issued	$ 6,792,000
Capital in excess of par value of common stock	61,014,000
Accumulated earnings retained	302,212,000
Less common stock in treasury at cost; 82,383 shares	(1,950,000)
Total Shareholders' Equity	**$368,068,000**

COMBUSTION ENGINEERING, INC. (DEC)

SHAREHOLDERS' EQUITY (6):	
Preferred Stock, no par value	
Authorized–2,000,000 shares	
Issued–869,875 shares in 1972 and 898,327 shares in 1971 of Series A Convertible Preferred Stock, $1.70 cumulative (liquidating value $39,144,375 in 1972 and $40,424,715 in 1971), stated at	$ 5,759,531
Common Stock, $1 par value	
Authorized–30,000,000 shares	
Issued–10,343,734 shares in 1972 and 10,012,020 shares in 1971, stated at	52,922,301
Retained earnings (see accompanying statement)	251,082,789
	309,764,621
Deduct–shares held in treasury, at cost:	
Preferred stock–29,324 shares in 1972 and 1,024 shares in 1971	48,293
Common Stock–269,959 shares in 1972 and 47,789 shares in 1971	14,431,461
	14,479,754
	$295,284,867

Notes to Financial Statements

Note 6: Capital Stock—Of the common stock authorized but unissued, 27,600 shares are reserved for conversion of 3⅜% Convertible Subordinated Debentures, and 782,887 shares are reserved for the conversion of the Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred Stock is convertible into nine-tenths of a share of common stock.

Changes in the Series A Convertible Preferred Stock issued and in the treasury as included in the accompanying consolidated balance sheet were as follows:

	Preferred Stock			
	Issued		Treasury Stock	
	Shares	Amount (000)	Shares	Amount (000)
Beginning of year	898,327	$5,616	1,024	$37
Add or (deduct):				
Conversion into common stock	(34,865)	(218)	--	--
Issued to purchase the Morgan Company, at market value	6,413	361	--	--
Return to treasury of shares previously in escrow	--	--	28,300	11
End of year	**869,875**	**$5,759**	**29,324**	**$48**

Changes in common stock issued and in the treasury as included in the accompanying consolidated balance sheet were as follows:

	Common Stock			
	Issued		Treasury Stock	
	Shares	Amount (000)	Shares	Amount (000)
Beginning of year	9,919,963	$38,341	47,789	$ 985
Transfers in connection with pooling of interests	92,057	355	--	--
	10,012,020	**$38,696**	**47,789**	**$985**
Add or (deduct):				
Exercise of stock options	183,594	7,111	--	--
Conversions of– 3⅜% Subordinated Debentures	6,328	95	--	--
Series A Convertible Preferred Stock	31,377	218	--	--
Issued to purchase the Morgan Company, at market value	110,415	6,802	--	--
Purchased for treasury	--	--	222,170	13,446
End of year	**10,343,734**	**$52,922**	**269,959**	**$14,431**

Shares outstanding at December 31, 1972 include 26,613 shares of Series A Convertible Preferred Stock and 316,328 shares of common stock which are held in escrow and whose release depends on earnings of certain acquired companies.

FANSTEEL INC. (DEC)

SHAREHOLDERS EQUITY:

	1972	1971
Preferred stock, without par value:		
Authorized–1,000,000 shares		
Issued – None		
Common stock, par value $5		
Authorized–5,000,000 shares		
Issued– 1,839,124 shares in 1972 and 2,048,609 shares in 1971	$ 9,195,620	$10,243,045
Capital in excess of par value	6,910,227	7,695,814
Retained earnings	18,480,686	17,621,114
Treasury stock, at cost	(2,008,909)	(1,148,600)
	$32,577,624	**$34,411,373**

Financial Review

Treasury Stock—Changes in treasury stock during 1972 and 1971 were as follows:

	Shares	Amount
Balance at December 31, 1970	19,942	$ 188,971
Purchases in 1971, at cost	21,100	206,629
Acquired in connection with a sale of a division	50,000	753,000
Balance at December 31, 1971	**91,042**	**1,148,600**
Purchases in 1972, at cost	279,860	3,822,886
Retirements in 1972	(211,160)	(2,962,577)
Balance at December 31, 1972	**159,742**	**$2,008,909**

The Company sold a division as of January 1, 1971 in exchange for 50,000 shares of its common stock and a $1,218,000 note receivable which was collected in 1971. The aggregate proceeds were equal to the net assets sold.

In 1972, the Company purchased through a tender offer 175,000 shares of its common stock at a cash price of $14.00 per share. These shares and 36,160 other shares purchased during 1972 were subsequently retired. The cost of the shares retired was allocated as follows: common stock – $1,055,800, capital in excess of par value – $793,962, and retained earnings – $1,112,815.

GENERAL ELECTRIC COMPANY (DEC)

	(In millions)	
	1972	**1971**
Preferred stock	$ ––	$ ––
Common stock	463.1	462.3
Amounts received for stock in excess of par value	396.6	368.8
Retained earnings	2,371.4	2,096.2
	3,231.1	**2,927.3**
Deduct common stock held in treasury	(146.5)	(125.5)
Total share owners' equity	**$3,084.6**	**$2,801.8**

1972 Financial Summary

Common stock issued and outstanding

	1972	1971
Shares issued at Jan. 1	184,936,318	184,370,136
New shares issued:		
Stock option plans	296,002	238,592
Savings and Security Program	11,528	327,590
Shares issued at Dec. 31	**185,243,848**	**184,936,318**
Deduct shares held in treasury	(2,895,999)	(2,813,503)
Shares outstanding at Dec. 31	**182,347,849**	**182,122,815**

Common stock held in treasury for various corporate purposes totaled $146.5 million at the close of 1972 and $125.5 million at the end of 1971. Purchases during 1972 totaled 1,053,421 shares including 393,821 at current market prices from employees who acquired them through employee plans other than stock option plans. Other purchases were primarily through regular transactions in the security markets. Treasury stock dispositions are shown at upper right.

The Company held under the deferred compensation provisions of incentive compensation plans a total of 1,151,053 shares at December 31, 1972 and 1,094,169 shares at December 31, 1971. These shares are recorded at market value at the time of allotment. The liability is recorded under other liabilities.

The remaining common stock held in treasury is carried at cost, $96.1 million at the end of 1972 and $80.5 million at the end of 1971. These shares are held for future corporate requirements including 1,382,401 shares for possible conversion of General Electric Overseas Capital Corporation convertible indebtedness described under long-term borrowings, for distributions under employee savings plans and for incentive compensation awards.

MERCK & CO., INC. (DEC)

STOCKHOLDERS' EQUITY

Cumulative preferred stock, without par value, authorized 150,000 shares: issued 120,000 shares of $3.50 series, redeemable at $102 per share.	$ 12,000,000
Common stock, par value $.02 7/9, authorized 78,000,000 shares: issued 1972, 74,474,404 shares	2,069,000
Other paid-in capital (principally on common stock)	125,318,000
Deferred compensation payable in common stock: 1972, 421,971 shares	14,448,000
Retained earnings	474,863,000
	628,698,000
Less treasury stock, at cost:	
Cumulative preferred stock: 1972, 85,641 shares	6,684,000
Common stock; 1972, 258,482 shares	13,781,000
	20,465,000
Total stockholders' equity	$608,233,000

UV INDUSTRIES, INC. (DEC)

STOCKHOLDERS' EQUITY (Note 10)

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
New Preferred Stock, par value $5 per share, 1,000,000 shares authorized, issuable in series: $1.265 convertible series $10,545,155 liquidating value ($23.00 per share) 458,485 shares issued	2,292,425
Common Stock, par value $1 per share, 10,000,000 shares authorized; 2,800,604 shares issued	2,800,604
Additional paid-in capital	88,172,752
Retained earnings	39,023,972
	133,183,548
Less, Treasury stock, at cost	4,379,504
Total stockholders' equity	**$128,804,044**

Note 10: Capital Stock—The $5.50 Cumulative Preferred Stock is redeemable, at the option of the Company, at $101 per share to October 31, 1974 and at decreasing amounts thereafter, but at not less than $100 per share.

At December 31, 1972, 1,178,029 shares of Common Stock are reserved for issuance upon exercise of a similar number of warrants outstanding, expiring in 1979, allowing the holder to purchase one share of Common Stock at $66 per share. Each share of New Preferred Stock is convertible into .789 shares of Common Stock.

Common Stock is also reserved for issuance upon conversion of convertible debentures (1,223,995 shares), conversion of New Preferred Stock (361,745 shares), and exercise of stock options (202,030 shares).

Treasury stock at December 31, 1972 comprises:

	Shares	Cost
Common Stock	106,700	$3,136,747
$5.50 Cumulative Preferred Stock	18,400	1,242,757
		$4,379,504

Included in Assets

FREEPORT MINERALS COMPANY (DEC)

OTHER ASSETS:

Common stock of Freeport Minerals Company held in treasury, at cost (Note 7) – 50,776 shares December 31, 1972	$1,462,000

Note 7: At December 31, 1972 and 1971, there were 10,000,000 shares of preferred stock without par value authorized and unissued.

In April 1972, the stockholders approved the Employees' Stock Option Plan under which the Board of Directors was authorized to grant to certain employees options to purchase up to 500,000 shares of the Company's common stock. During 1972, options were granted under this plan to 85 employees to purchase 108,900 shares of stock at $21.00 per share, the market price at the time the options were granted. The options may be exercised in installments at various times between September 1973 and September 1982.

Under the Key Employees' Stock Ownership Plan, certain employees were granted rights to purchase shares of the Company's common stock at not less than the market price at the time the rights were granted. No rights have been granted pursuant to this plan since June 1963 and no new rights to purchase shares pursuant to this plan will be granted in the future. During 1972, rights representing 7,080 shares were exercised for amounts aggregating $89,000. At the close of the year, 2,820 shares were issuable under rights granted during 1963 at $12.50 per share, and these rights were exercised in 1973.

The common stock held in the treasury is available for the purpose of fulfilling contingent awards payable in common stock under the Incentive Compensation Plan.

GENERAL CIGAR CO., INC. (DEC)

	($ Thousands)
OTHER ASSETS	
Common stock in treasury available for employees' profit-sharing plan and deferred compensation, at cost – 13,529 shares (Note 5)	$ 377
Investment in and advances to wholly owned real estate development subsidiary	310
Long-term receivables	594
Deferred charges and other assets	886
Intangible assets	28,110
	$30,277
STOCKHOLDERS' EQUITY:	
Preferred stock, par value $1 Authortized – 1,000,000 shares Issued – None	
Common stock, par value $1 Authorized–5,000,000 shares Issued, including 48,345 in treasury–2,179,079 shares	$ 2,179
Capital in excess of par value	26,790
Retained earnings	40,458
	69,427
Less–Treasury stock, at cost, excluding shares held available for profit-sharing plan and deferred compensation– 34,816 shares	(1,086)
	$68,341

Note 5 (in part): Compensation Plans—Common stock in treasury available for employees' profit sharing plan represents the cost of such stock allocated to participants under a plan which terminated at the end of 1962. Subject to a number of conditions, distribution of such stock is deferred until after the termination of the participants' employment.

Deducted from Same Issue

THE BUDD COMPANY (DEC)

SHAREHOLDERS' EQUITY:

Preferred shares, without par value: Authorized 188,306 shares; issued 106,500 shares designated $5 cumulative preferred, stated at $100 per share liquidation preference and call price.	$10,650,000
Less shares in treasury: 1972–9,495	949,500
	9,700,500
Preference shares, without par value: Authorized 5,000,000 shares; none issued	– –
Common shares, $5 par value Authorized 10,000,000 shares; issued: 1972– 6,045,820	30,229,100
Additional paid-in capital	17,630,021
Retained earnings	112,592,576
Less 9,752 common shares in treasury, at cost	(116,190)
Total shareholders' equity	**$170,036,007**

RAYTHEON COMPANY (DEC)

STOCKHOLDERS' EQUITY

Serial preferred stock, without par value: Authorized 3,000,000 shares		
Series A, $1.12 cumulative, convertible, stated value $2.50 Outstanding: 1971–932,356 shares	$ --	$ 2,330,890
Common stock, par value $2.50 per share: Authorized 30,000,000 shares Outstanding: 1972–15,564,578 shares; 1971–15,169,834 shares (after deducting shares in treasury: 1972– 1,635,063 shares; 1971– 1,010,963 shares)	38,911,445	37,924,585
Capital in excess of par value	66,242,837	66,336,375
Earnings reinvested in the business	230,858,893	221,163,900
Total stockholders' equity	**$336,013,175**	**$327,755,750**

O'SULLIVAN CORPORATION (DEC)

STOCKHOLDERS' EQUITY:

5% cumulative preferred stock, par value $20.00 per share (Note 3):		
	1972	
Authorized	142,399	
Issued	14,051	
In treasury	2,029	
Outstanding	12,022	$240,440
Common stock, par value $1.00 per share (Note 4):		
Authorized	2,000,000	
Issued	896,872	
In treasury	2,855	
Outstanding	894,017	894,017
Additional paid-in capital		911,160
Retained earnings		4,683,822
Total Stockholders' Equity		**$6,729,439**

Note 3: Preferred Stock Dividends—Cumulative preferred stock dividends were paid to October 1, 1972, and were declared for the quarter ending December 31, 1972, payable January 1, 1973.

Preferred Stock Sinking Fund—The certificate of incorporation provides that, each year, 5% of the annual net earnings shall be set aside as a fund and used, in the sole discretion of the Board of Directors, to purchase and/or redeem preferred stock. On December 31, 1972, the net accumulated requirements for this purpose totaled $49,821. The Directors are not required to purchase or redeem any preferred stock until this fund equals or exceeds $10,000. In February 1973, 2,555 shares of preferred stock, costing $47,903, were retired by the sinking fund.

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. Twenty-three companies changed the key word term—10 companies changed to *operations,* 9 companies changed to *income,* and 4 companies changed to *earnings.*

Examples of income statement titles follow.

TABLE 3-1: INCOME STATEMENT TITLE

	1972	1971	1970	1969
Income	376	375	380	381
Earnings	178	180	178	182
Operations	41	41	37	30
Other	5	4	5	7
Total Companies	**600**	**600**	**600**	**600**

Income

BROWN & SHARPE MANUFACTURING COMPANY

Consolidated Statements of Income and Earnings Employed in the Business

GOLDBLATT BROS., INC.

Consolidated Statements of Income

GRANITEVILLE COMPANY

Consolidated Statement of Income

THE MAYTAG COMPANY

Statements of Consolidated Income and Retained Earnings

STANADYNE INC.

Consolidated Statement of Income and Earnings Reinvested in the Business

Earnings

BEATRICE FOODS CO.

Statement of Consolidated Earninqs

GENERAL FOODS CORPORATION

Consolidated Statement of Earnings and Retained Earnings

SUNDSTRAND CORPORATION

Consolidated Statement of Earnings

Operations

ADMIRAL CORPORATION

Consolidated Statements of Operations and Retained Earnings

GRUMMAN CORPORATION

Consolidated Statement of Operations

WHITE MOTOR CORPORATION

Statement of Consolidated Operations

Other

GRUEN INDUSTRIES, INC.

Consolidated Statements of Loss and Retained Earnings

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.

TABLE 3-2: INCOME STATEMENT FORM

	1972	1971	1970	1969
Single-step form				
Federal income tax shown as separate last item (*3.287.506)	289	269	256	261
Federal income tax listed among operating items (*9.138.502)	124	128	135	131
No provision shown for Federal income tax (*438.459)	2	4	6	8
Subtotal	**415**	**401**	**397**	**400**
Multiple-step form				
Costs deducted from sales to show gross profit on sales (*267.381.499)	98	110	110	97
Costs and expenses deducted from sales to show operating income (*280,330,504)	83	89	93	100
Other	4	--	--	3
Subtotal	**185**	**199**	**203**	**200**
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section

REVENUE

Paragraph 148 of *APB Statement No. 4— Basic Concepts and Accounting Principles Underlying Financial Statements of Business Enterprises* defines revenue.

> 148. *Revenue and Realization.* Revenue is a gross increase in assets or a gross decrease in liabilities recognized and measured in conformity with generally accepted accounting principles that results from those types of profit-directed activities of an enterprise that can change owners' equity (see paragraph 134). Revenue under present generally accepted accounting principles is derived from three general activities: (a) selling products, (b) rendering services and permitting others to use enterprise resources, which result in interest, rent, royalties, fees, and the like, and (c) disposing of resources other than products— for example, plant and equipment or investments in other entities. Revenue does not include receipt of assets purchased, proceeds of borrowing, investments by owners, or adjustments of revenue of prior periods.

As to the presentation and disclosure of revenue items, *APB Opinion No. 30— Reporting the Results of Operations* (issued in June 1973 and effective for events and transactions occurring after September 30, 1973) states:

> 19. Judgment is required to segregate in the income statement the effects of events or transactions that are extraordinary items (as required by paragraph 11). The Board concludes that an event or transaction should be presumed to be an ordinary and usual activity of the reporting entity, the effects of which should be included in income from operations, unless the evidence clearly supports its classification as an extraordinary item as defined in this Opinion.
>
> 26. A material event or transaction that is unusual in nature or occurs infrequently but not both, and therefore does not meet both criteria for classification as an extraordinary item, should be reported as a separate component of income from continuing operations. The nature and financial effects of each event or transaction should be disclosed on the face of the income statement or, alternatively, in notes to the financial statements. Gains or losses of a similar nature that are not individually material should be aggregated. Such items should not be reported on the face of the income statement net of income taxes or in any manner inconsistent with the provisions of paragraphs 8 and 11 of this Opinion or in any other manner that may imply that they are extraordinary items. Similarly, the earnings per share effects of those items should not be disclosed on the face of the income statement.

Table 3-3 summarizes the various captions used by the survey companies to describe revenue derived from selling products. Table 3-4 shows the nature of other sources of revenue. Excluded from Table 3-4 are those revenue items shown after the deduction for income taxes (see Table 3-26) or shown as extraordinary gains (see Table 3-27). Examples of captions used to describe revenue from selling products and of other revenue items follow. Examples of equity in earnings of investees and gains from translation adjustment are presented in connection with Tables 2-23 to 2-26 and Table 3-21, respectively.

Captions Used to Describe Sales

AMERICAN AIR FILTER COMPANY, INC. (OCT)

Sales and other operating revenue	$124,227,036

ASG INDUSTRIES INC. (DEC)

SALES AND OTHER REVENUES	
Net Sales	$60,657,513
Other revenue, principally royalties and interest	733,806
	$61,391,319

TABLE 3-3: SALES—CAPTION TITLE

	1972	1971	1970	1969
Net Sales				
Net sales (*197.322.480)	366	365	361	366
Net sales and operating revenue (*48.238.659)	23	28	33	35
Net sales combined with other terms(*87.500.722)	18	20	17	35
Subtotal	**407**	**413**	**411**	**436**
Sales				
Sales (*73.151.269)	94	85	89	79
Sales and operating revenue (*19.175.434)	42	42	42	36
Sales combined with other terms (*189.229.538)	11	15	16	3
Subtotal	**147**	**142**	**147**	**118**
Other Captions				
Revenue or gross operating income (*364,534.543)	24	24	22	32
Gross sales. income. billings. shipments. etc.	22	21	20	14
Subtotal	**46**	**45**	**42**	**46**
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

WALT DISNEY PRODUCTIONS (SEP)

REVENUES

Entertainment and recreational activities	$223,416,000
Film rentals	78,295,000
Other—publications, merchandising, music and records	27,119,000
Total Revenues	**$328,830,000**

GENERAL HOST CORPORATION (DEC)

REVENUES:

Sales	$555,484,000
Dividends, interest and other income	6,806,000
	$562,290,000

HERFF JONES CO. (JUN)

Net sales	$38,586,479

McGRAW-HILL, INC. (DEC)

($ thousands)

Operating revenue	$430,082
Other income—net	3,444
	$433,526

MEDUSA CORPORATION (DEC)

($ thousands)

Billings to customers, less discounts	$122,997
Other income	829
	$123,826

MOBIL OIL CORPORATION (DEC)

REVENUES

Sales and services (including excise and state gasoline taxes: 1972— $1.023.475.000; 1971— $908.996.000)	$10.189.807.000
Interest. dividends. and other revenue	105.249.000
	$10,295,056,000

OTIS ELEVATOR COMPANY (DEC)

($ thousands)

REVENUES:

Contracts and orders completed ($787.165) and other revenue	$807.081
Interest income	4.415
Total	**$811,496**

SNAP-ON TOOLS CORPORATION (DEC)

EARNINGS

Gross Sales less returns. allowances and dealer discounts	$105,090,027

Other Revenue

ALLIED CHEMICAL CORPORATION (DEC)

INCOME FROM OPERATIONS	$113.341.000
OTHER INCOME	
Profit on purchase of debentures	1,828,000
Gain on sales of real estate	1.120,000
Dividends. interest and other	10,228.000
	13,176,000
	$126,517,000

TABLE 3-4: OTHER REVENUE

Nature	1972	1971	1970	1969
Interest (*15.297.336)	172	165	192	158
Equity in earnings of investees	159	106	81	78
Dividends (*2.135.574)	70	79	100	104
Royalties (*78.199.584)	61	49	44	48
Gains on dispositions of assets (*137.403.450)	30	25	27	36
Translation adjustments	15	19	N/C	N/C
Other— described (*95.278.288)	74	40	95	48
"Other"	436	438	454	523
Total Presentations	**1,017**	**921**	**993**	**995**
Number of Companies				
Presenting above items	508	490	474	491
Not presenting above items	92	110	126	109
Total	**600**	**600**	**600**	**600**

N/C—Not Compiled.

*Refer to Company Appendix Section.

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

	($ thousands)
Net sales	$668,875
Cost of products sold	446,556
	222,319
Selling, shipping, warehousing and administrative expenses	160,986
	61,333
Other income:	
Interest	2,015
Royalties	760
Capital gains and miscellaneous	418
Interest expense	(1,329)
Earnings before income taxes	**$ 63,197**

AMERICAN STANDARD INC. (DEC)

	1972	1971
	($ thousands)	
SALES	$1,320,552	$1,409,682
COST AND EXPENSE		
Cost of products sold	1,026,266	1,100,551
Selling and administrative	191,978	218,677
Research and product development	27,540	30,656
	1,245,784	**1,349,884**
	74,768	**59,798**
OTHER INCOME	8,032	9,175
INTEREST EXPENSE	(27,597)	(35,773)

Notes to Consolidated Financial Statements

Other Income— Other income was as follows:

	1972	1971
	($ millions)	
Dividends	$1.3	$1.1
Interest	3.1	3.6
Royalties	2.3	1.8
Other	1.3	2.7
	$8.0	**$9.2**

CLARK EQUIPMENT COMPANY (DEC)

	($ thousands)
SALES AND OTHER REVENUES:	
Net sales	$897,567
License fees from foreign associates	4,684
Pre-tax income of finance subsidiaries not consolidated	11,117
Other income	4,158
	$917,526

CURTISS-WRIGHT CORPORATION (DEC)

REVENUES:	
Sales	$235,561,000
Rentals and gain on sales of real estate and equipment, net	1,419,000
Interest, dividends and gain (loss) on sales of marketable securities, net	2,689,000
Fees, commissions and other income, net	7,728,000
	$247,397,000

GENERAL ELECTRIC COMPANY (DEC)

	($ millions)	
	1972	**1971**
Sales of products and services to customers	$10,239.5	$9,425.3
Other income	189.2	152.0
	$10,428.7	**$9,577.3**

1972 Financial Summary

Other income amounted to $189.2 million in 1972, an increase of $37.2 million over 1971. Significant items included in other income are shown in the left margin.

Net earnings of General Electric Credit Corporation amounted to $41.1 million in 1972, an increase of 33% over 1971. Condensed financial statements for the Credit Corporation are on page 30.

During 1972, the Company sold 370,000 shares of Honeywell Inc. common stock resulting in a gain of $29.5 million ($20.7 million after taxes). Sales of 375,000 shares of Honeywell Inc. common stock during 1971 resulted in a gain of $11.0 million ($7.7 million after taxes).

	($ millions)	
Other Income	**1972**	**1971**
Net earnings of the Credit Corporation	$ 41.1	$ 30.9
Income from:		
Customer financing	26.8	29.8
Royalty and technical agreements	30.2	31.9
Marketable securities and bank deposits	19.1	10.4
Other investments	31.8	24.9
Sale of Honeywell stock	29.5	11.0
Other sundry income	10.7	13.1
	$189.2	**$152.0**

GIDDINGS & LEWIS, INC. (DEC)

LOSS FROM OPERATIONS	$(4,734,740)
OTHER INCOME (DEDUCTIONS):	
Profit on disposal of property and equipment	451,671
Interest Expense	(1,436,336)
Miscellaneous income— net	815,096
	(169,569)

HAZELTINE CORPORATION (DEC)

REVENUES	
Sales	$60,187,356
Patent and other income	4,416,602
Total revenues	**$64,603,958**

EXPENSES

Paragraph 154 of *APB Statement No. 4— Basic Concepts and Accounting Principles Underlying Financial Statements of Business Enterprises* defines expenses.

> 154. *Expense Recognition.* Expenses are 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 than can change owners' equity (see paragraph 134). Important classes of expenses are (1) costs of assets used to produce revenue (for example, cost of goods sold, selling and administrative expenses, and interest expense), (2) expenses from non-reciprocal transfers and casualties (for example, taxes, fires and theft), (3) costs of assets other than products (for example, plant and equipment or investments in other companies) disposed of, (4) costs incurred in unsuccessful efforts, and (5) declines in market prices of inventories held for sale. Expenses do not include repayments of borrowing, expenditures to acquire assets, distributions to owners (including acquisition of treasury stock), or adjustments of expenses of prior periods.

As to the presentation and disclosure of expense items, *APB Opinion No. 30— Reporting the Results Of Operations* (issued in June 1973 and effective for events and transactions occurring after September 30, 1973) states:

> 19. Judgment is required to segregate in the income statement the effects of events or transactions that are extraordinary items (as required by paragraph 11). The Board concludes that an event or transaction should be presumed to be an ordinary and usual activity of the reporting entity, the effects of which should be included in income from operations, unless the evidence clearly supports its classification as an extraordinary item as defined in this Opinion.
>
> 26. A material event or transaction that is unusual in nature or occurs infrequently but not both, and therefore does not meet both criteria for classification as an extraordinary item, should be reported as a separate component of income from continuing operations. The nature and financial effects of each event or transaction should be disclosed on the face of the income statement or, alternatively, in notes to the financial statements. Gains or losses of a similar nature that are not individually material should be aggregated. Such items should not be reported on the face of the income statement net of income taxes or in any manner inconsistent with the provisions of paragraphs 8 and 11 of this Opinion or in any other manner that may imply that they are extraordinary items. Similarly, the earnings per share effects of those items should not be disclosed on the face of the income statement.

TABLE 3-5: COST OF GOODS SOLD—PRESENTATION

Single Amount For	**1972**	**1971**	**1970**	**1969**
Cost of goods sold (*100,429,591)	447	451	445	462
Cost of goods sold combined with other expenses (*99,140,497)	96	90	106	94
Manufacturing cost of goods sold (*295,341,465)	11	11	12	15
Elements of cost (*272,519)	18	18	10	N/C
Subtotal	**572**	**570**	**573**	**571**
Two or More Amounts For				
Elements of cost (*364,554,732)	12	16	13	17
Categories of cost (*126,247,305)	16	14	14	12
Subtotal	**28**	**30**	**27**	**29**
Total Companies	**600**	**600**	**600**	**600**

N/C— Not Compiled

*Refer to Company Appendix Section.

Table 3-5 reveals that most of the survey companies show a single caption and amount for cost of goods sold. Table 3-6 shows the nature and manner of presentation of expenses, other than cost of goods sold and depreciation, used to produce revenue. Table 3-7 shows the nature of other expense items. Excluded from Table 3-7 are income taxes (see Tables 3-15 and 3-16) and those expense items shown after the deduction for income taxes (see Table 3-26) or shown as extraordinary losses (see Table 3-27). Examples of the presentation and nature of expenses follow. Examples of equity in losses of investees, minority interest, and losses from translation adjustments are presented in connection with Tables 2-23 to 2-26, Table 2-43, and Table 3-21, respectively.

TABLE 3-6: EXPENSES INCURRED TO PRODUCE REVENUE

	Separate Caption	Combined Caption
Selling (marketing), general and administrative	265	68
Selling and administrative or general	111	64
General and/or administrative	34	20
Selling	7	25
Operating	15	52
Total Presentations	**432**	**229**
Interest	486	35
Research, development, engineering, etc.	38	83
Employee benefit plans	38	21
Delivery, distribution, etc.	8	54
Advertising	2	25
Rent	15	10
Exploration, dry holes, abandonments	14	7
Bad debts	10	1
Maintenance and repairs	9	— —
Other— described	10	29
Total Presentations	**630**	**265**

TABLE 3-7: OTHER EXPENSES

	1972	1971	1970	1969
Minority interest	55	63	52	53
Taxes other than income taxes (*16,236,735)	53	49	56	N/C
Equity in losses of investees	20	13	10	N/C
Translation Adjustments	18	13	17	9
Losses on dispositions of assets (*175,228,621)	9	9	20	20
Other–described (*240,316,741)	53	21	42	22
"Other"	129	147	140	150
Total Presentations	**337**	**315**	**337**	**254**

N/C— Not Compiled.

*Refer to Company Appendix Section.

Cost of Goods Sold Presentations

AMERICAN CYANAMID COMPANY (DEC)

	(000)
DEDUCT:	
Manufacturing cost of sales—less depreciation and depletion	$ 725,872
Selling and advertising expenses	248,510
Administrative and general expenses	67,840
Depreciation and depletion	68,350
Research and process development expenses	44,156
Interest expense	15,760
Employees' benefits (Note 9)	40,925
	$1,211,413

Note 9: Employees' Benefits—Employees' benefits include the cost of pension, group insurance and social security programs. The company and its consolidated subsidiaries have various pension plans covering substantially all their employees, including certain employees in foreign countries. The company's policy generally is to accrue and fund pension costs over the service lives of the covered employees. The total pension expense was $9,313,000 for 1972 and $7,137,000 for 1971.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

COSTS AND EXPENSES:	
Cost of goods sold and operating expenses	$87,581,000
Administrative, selling and general expense	5,988,000
Other, including exploration and research	3,167,000
	$96,736,000

CONTROL DATA CORPORATION (DEC)

	($ thousands)
Cost of sales	$279,975
Cost of rentals and service	199,161
Total cost of sales, rentals and service	**$479,136**

ERB LUMBER CO. (DEC)

EXPENSES	
Cost of lumber and other building materials sold	$23,967,449
Cost of real estate sold	733,919
Rental property expense, excluding depreciation and interest	352,328
Yard, delivery, selling, administrative and other expenses, excluding depreciation and interest	5,911,299
Depreciation expense:	
Operations	334,986
Rental property	133,679
Interest expense	530,287
Total Expenses	**$31,963,947**

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

	($ thousands)
Cost of merchandise sold	$4,416,905

THE SUPERIOR OIL COMPANY (DEC)

EXPENSES	
Operating costs	$ 36,068,000
General and administrative	11,722,000
Geological and geophysical	19,053,000
Intangible development costs	34,260,000
Nonproductive leases and other properties abandoned	10,304,000
Depletion and depreciation	19,097,000
Interest	9,939,000
Taxes (other than Federal income)	11,348,000
Federal income taxes	540,000
	$152,331,000

McGRAW-EDISON COMPANY (DEC)

	1972	1971
	($ thousands)	
DEDUCTIONS:		
Materials and services purchased from others	$397,899	$365,679
Wages, salaries, commissions, and employee benefit costs	252,224	239,903
Provision for depreciation (principally sum-of-the-years' digits method)	14,914	14,665
Federal, State, and Foreign taxes on income	35,516	29,380
Total deductions (Note 4)	**$700,553**	**$649,627**

Note 4: (in part)—Total deductions in the consolidated statement of income consist of the following:

	1972	1971
Cost of sales	$554,877	$520,031
General, administrative, engineering and selling expenses	110,160	100,216
Federal, state and foreign taxes on income	35,516	29,380
	$700,553	**$649,627**

PEOPLES DRUG STORES, INCORPORATED (DEC)

COSTS AND EXPENSES:	
Cost of goods sold	$164,601,318
Buying, selling, occupancy and administration	69,209,108
Depreciation and amortization	2,227,824
Interest	785,838
	$236,824,088

SIGNODE CORPORATION (DEC)

Sales and Revenues	$274,145,000
Cost of Products Sold and Expenses Applicable to Equipment in Service	191,583,000
Gross Margin	**$ 82,562,000**

UNITED STATES GYPSUM COMPANY (DEC)

	($ thousands)
COSTS AND EXPENSES	
Cost of products sold	$479,521
Selling and administrative expenses	86,684
Interest expense	2,410
Total costs and expenses	**$568,615**

Expenses Incurred to Produce Revenue

ALAN WOOD STEEL COMPANY (DEC)

COSTS AND EXPENSES:	
Cost of products sold and operating expenses	$ 97,069,439
Depreciation	6,850,751
Selling, general and administrative expenses	8,762,155
Interest, bond discount and debt expense	4,124,720
	$116,807,065

BAUSCH & LOMB INCORPORATED (DEC)

COSTS AND EXPENSES:	
Cost of products sold	$103,375,000
Depreciation of properties	4,883,000
Selling, administrative and general expenses	56,351,000
Research and development expenses	5,664,000
Interest expense	2,431,000
Federal, foreign and other taxes on income	6,230,000
	$178,934,000

CLARK EQUIPMENT COMPANY (DEC)

	1972	1971
	($ thousands)	
COSTS AND EXPENSES:		
Cost of goods sold	$738,686	$609,730
Selling, general and administrative expenses	83,628	74,015
Interest paid on outside borrowings	9,061	10,078
Interest and service charges paid to finance subsidiaries (Page 4)	17,269	14,270
	$848,644	**$708,093**

Financial Review (page 4)

Income—Consolidated net income increased from $29.0 million to $40.3 million, an increase of 39%. Because of significant inter-company transactions involved in sales of products manufactured overseas, it is not practicable to determine precisely the share of consolidated net income attributable to sources outside the United States. Profit margins on these sales have been generally comparable to margins experienced on U.S. sales. License fees from associates outside the U.S. and Canada are shown in the Statement of Income (Page 9).

Per share earnings are based on the average number of shares outstanding during the years. If the shares reserved for convertible debentures had been outstanding and if all outstanding stock options had been exercised during the years, income per share would have been $2.97 in 1972 and $2.30 in 1971, a potential dilution of less than 3%.

Clark Equipment Company made payments to Clark Equipment Credit Corporation, as a supplement to regular payments for services and financing, which amounted to $4.7 million in 1972 and $2.6 million in 1971. These supplemental payments had the effect of raising the net income of Clark Credit by $2.4 million in 1972 and by $1.3 million in 1971 but had no effect on consolidated net income. The Company is not contractually obligated to Clark Credit to make any further such supplemental payments, although it is its present intention to do so.

Interest and service charges paid to finance subsidiaries include the following:

	1972	1971
	($ thousands)	
Interest on installment obligations	$ 4,583	$ 4,622
Factoring charges outside the U.S.	4,330	3,851
Service charges	3,682	3,231
Supplemental payments	4,674	2,566
	$17,269	**$14,270**

W.R. GRACE & CO. (DEC)

	($ thousands)
Cost of goods sold and operating expenses	$1.639,564
Selling, general and administrative expenses	463,709
Depreciation and depletion	60,900
Research and development expenses	21,559
Interest expense	38,620
Income applicable to minority stockholders	2,653
	$2,227,005

INTERNATIONAL HARVESTER COMPANY (OCT)

COSTS AND EXPENSES:	
Cost of sales	$2,948,369,000
Selling and administrative expenses	375,680,000
Charges for financing services on wholesale notes sold to sales finance subsidiaries	39.430,000
Interest expense	56.098,000
Taxes on income	43.965,000
Total	**$3,463,542,000**

THE MAY DEPARTMENT STORES COMPANY (JAN)

COSTS AND EXPENSES	
Cost of sales and other expenses (less credit service charges and other income) exclusive of items listed below (year ended February 3, 1973 includes additional accrual, for 53rd week, of 1/52 of annual fixed expenses, amounting to $1,810,000)	$1,270,790,059
Maintenance and repairs	10,473,442
Depreciation (straight-line method)	28,566,565
Taxes other than federal income taxes	44,572,140
Rentals	10,297,895
Interest and debt expense (less interest income and discount on debt prepayment: 1973—$2,806,930; 1972—$2,295,877)	16,174,771
Retirement and profit sharing and savings plans contributions	5,600,639
	$1,386,475,511

Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation—The consolidated financial statements include all wholly-owned subsidiaries, including The May Department Stores Credit Company, whose audited financial statements are presented on page 26. The Company's fiscal year ends on the Saturday closest to January 31. Fiscal 1972 is comprised of 53 weeks; earnings have been charged with fixed expenses for the 53rd week amounting to $1,810,000, which will reduce expenses over future 52-week fiscal years.

OUTBOARD MARINE CORPORATION (SEP)

COSTS AND EXPENSES:	
Cost of goods sold	$244,708,000
Product research and development	15,191,000
Shipping	8,661,000
Selling and advertising	34,725,000
General and administrative	31,100,000
Other expense, net, including interest expense of $4,027,000 in 1972 and $4,859,000 in 1971	5,359,000
Total	**$339,744,000**

ST. JOE MINERALS CORPORATION (DEC)

COSTS AND EXPENSES:	
Cost of sales (exclusive of certain items below)	$152,563,000
Administrative and selling	7,690,000
Research and exploration (Note 1)	3,552,000
Depletion, depreciation and amortization	9,796,000
Interest	2,325,000
Total Costs and Expenses	**$175,926,000**

Note 1 (in part): Exploration—Mineral exploration expenditures are deferred pending decision as to success or abandonment of projects. If successful, expenditures are capitalized as mine development; the cost of projects abandoned is charged to income.

CanDel Oil Ltd. follows the full cost method of accounting for exploration and development of oil and gas reserves. Under this method, land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and nonproductive wells and overhead expenses directly related to exploration activities are capitalized and depleted on a composite unit-of-production method based on estimated recoverable reserves as determined by CanDel's engineers.

TOBIN PACKING CO., INC. (OCT)

Net Sales	$96,105,219
Other income	123,911
	96,229,130
Less	
Cost of products, supplies and services	84,051,123
Selling, delivery, general and administrative expenses	8,942,913
Depreciation and amortization	1,070,090
Taxes other than income taxes	1,490,911
Employee pension plans (Note 5)	1,058,330
Interest expense	27,981
Provision (credit) for income taxes	(304,400)
	$96,336,948

Note 5: Pension Plans—Retirement benefits for all eligible employees are provided under noncontributory pension plans. Pension costs were $1,058,330 and $1,020,817 for the years 1972 and 1971, respectively, and it is the Company's policy to fund pension costs when accrued. Past service costs of $8,185,000 and $7,960,000 at October 28, 1972 and October 30, 1971, respectively, are being amortized over 40 years. The actuarially computed value of vested benefits exceeded the total market value of the pension fund by approximately $6,440,000 and $6,588,000 at August 31, 1972 and 1971, respectively, the dates of the most recent actuarial valuations.

Inventory Adjustments

COLLINS RADIO COMPANY (JUL)

	1972	1971
	($ thousands)	
Sales	$250,416	$287,502
Cost of sales (Note 7)	264,431	282,532
	$(14,015)	**$ 4,970**

Note 7: Abnormal Charges to Income—Abnormal provisions for loss in the amount of $36,000,000 have been charged to operations in 1972. These provisions represent principally the write down of preproduction inventories on long-term product programs to net realizable value. The write down was required due to redefinition of markets to be penetrated, increasing competitive pricing pressures, and higher unit costs resulting from the reduced deliveries and extended delivery periods.

Abnormal provisions for loss in 1971 of $29,300,000 were required to provide for a number of factors including cutbacks in United States Government expenditures for military systems and space explorations, a severe curtailment of orders by commercial aviation customers and questionable continuation of certain customer-sponsored programs.

GENESCO INC. (JUL)

Cost of sales	$ 958,537,000
Non-recurring inventory writedowns	8,400,000
Selling, administrative and general expenses	380,012,000
Equity in losses of nonconsolidated companies	6,990,000
Interest expense	20,437,000
Federal, state and Canadian income taxes	10,553,000
Minority interests	173,000
Total Deductions	**$1,385,102,000**

Genesco Financial Review (page 30)

Non-recurring inventory writedowns—There were substantial non-recurring charges to earnings in 1972 which, under accounting rules, do not qualify for financial statement presentation as extraordinary losses. These losses resulted from shortages and other write-downs of inventory in certain volume shoe manufacturing and wholesale operations and from the conversion of inventory valuation procedures in certain menswear retailing operations from the system in existence when acquired to conform to merchandise policies of other GENESCO menswear companies. The effect of these non-recurring writedowns was to reduce 1972 earnings before taxes by $8,400,000, net earnings by $4,591,000 and primary earnings per share by $.37.

THE NATIONAL CASH REGISTER COMPANY (DEC)

	1972	**1971**
	($ thousands)	
COSTS AND EXPENSES		
Cost of sales, services and equipment rentals	$ 977,974	$ 904,949
Selling, general and administrative	524,514	494,599
Inventory write-down and other charges—Note 3	134,744	34,399
Interest	46,072	45,964
	$1,683,304	**$1,479,911**

Note 3: Inventory Write-Down and Other Charges—the inventory write-down and other charges amounting to $134,744,000 in 1972 reflect, for the most part, costs of the transition from mechanical business machines to new electronic products and the revaluation of assets associated with this transition. These charges result primarily from the establishment of reserves to cover potential obsolescence and excess quantities of certain manufacturing parts ($26,832,000), service parts ($35,259,000), both applicable to older products, and finished machines and rental equipment ($16,374,000). Additional reserves were established to cover the costs of scrapping tooling, machinery and equipment used in the production of products being phased out ($14,801,000), realigning manufacturing facilities to meet the production requirements of new electronic products ($6,172,000), and replacement parts to improve the performance of certain existing products ($14,600,000). Also, previously deferred marketing expense amounting to $20,706,000 at January 1, 1972 was written off to reflect the substantial costs associated with the launching of major new product lines.

The 1971 amount of $34,399,000 includes the establishment of reserves for obsolescence and excess quantities of manufacturing parts in inventory ($16,399,000) and write-off of costs associated with modification and maintenance of certain existing products ($18,000,000).

Write-Off Of Noncurrent Assets

AMERICAN BEEF PACKERS, INC. (MAY)

COSTS AND EXPENSES:	
Cost of sales, excluding depreciation	$503 686.939
Selling and administrative expenses, excluding depreciation	2.643.633
Interest	2.293,075
Depreciation	1.168.010
Write-off of debt discount (Note 5)	185.583
	$509,977,240

Note 5 (in part): Long-term debt—The 6¼% promissory note was refinanced during the year under a financing agreement with an installment loan due October 26, 1976. Warrants, attached to the 6¼% promissory note, were cancelled and the related debt discount of $185,583 was charged to earnings in the current year.

CHOCK FULL O'NUTS CORPORATION (JUL)

Net Sales	$50,954,769
Cost of sales	41 094.131
	9,860,638
Write-off of deferred charges (Note 2)	2.251,795
Selling, administrative and general expenses	6.103,294
	8,355,089
	1,505,549
Other Income (expenses):	
Gain (loss) on sale of securities	422,925
Interest and dividend income	471,765
Interest expense	(188.103)
Other income (expense)—net	(24.497)
	682,090
Income Before Income Taxes	**$ 2,187,639**

Note 2: Deferred Charges—During the year ended July 31, 1971, the Company deferred advertising and promotional introductory costs relating to the marketing of its "Special Process" instant coffee. Such costs (approximately $1,300,000 at July 31, 1971), plus costs deferred during the introductory period in the year ended July 31, 1972 ($1,150,000) were to be charged off over a three-year period commencing with the end of the introductory period in each marketing area.

Management has determined the campaign will not make any substantial contribution to future operations. Accordingly, the unamortized balance of introductory costs as of July 31, 1972 was written off. Amortization during the year amounted to $205,000.

Strike Expenses

KENNECOTT COPPER CORPORATION (DEC)

Cost of goods sold	$ 887,147,242
Depreciation, depletion and amortization	77,743,942
Selling and general administrative expenses	43,650,144
Shutdown expenses during strikes	3,929,497
Interest expense	25,209,256
Research, exploration and miscellaneous	20,737,529
Provision for U.S. and foreign taxes on income	16,600,000
	$1,075,017,610

Termination Costs and Legal Fees

CELANESE CORPORATION (DEC)

	1972	1971	1970
		($ millions)	
OPERATING COSTS:			
Cost of goods sold	$1,062.2	$ 903.3	$ 820.8
Selling and administrative	137.5	144.1	135.9
Research and development	52.2	51.3	54.9
Cost reduction program	11.3	--	6.8
Total Operating Costs	**$1,263.2**	**$1,098.7**	**$1,018.4**

Notes to Consolidated Financial Statements

1970 and 1972 Cost Reduction Program—The Corporation's cost reduction program reorganized and streamlined certain manufacturing, marketing, research and staff functions. Termination and other costs under this program amounted to $3.4 million in 1970 and $5.7 million in 1972, net of taxes, or 25 cents and 41 cents per share, respectively.

THE DUPLAN CORPORATION (SEP)

NET SALES	$136,456,622
OPERATING EXPENSES:	
Cost of goods sold	114,643,846
Selling, general and administrative expenses (Note 6)	19,044,768
	133,688,614
Operating income	**$ 2,768,008**

Note 6: Selling, General and Administrative Expenses—Included in "Selling, general and administrative expenses" for fiscal 1972 is a provision for termination payments of approximately $800,000 for which no comparable charge was made in fiscal 1971, and a provision of approximately $400,000 for estimated legal fees to cover the cost of the litigation described in Note 12.

Anticipated Contract Losses

AMERADA HESS CORPORATION (DEC)

COSTS AND EXPENSES	
Cost of products sold and operating expenses	$ 924,216,000
Exploration expenses	14,425,000
Selling, general and administrative expenses	104,764,000
Interest expense	35,360,000
Depreciation, depletion, lease amortization and relinquishments	82,031,000
Intangible drilling and development costs	24,202,000
Provision for anticipated losses on long-term fixed price contracts (Note 9)	62,528,000
Provision for income taxes	57,675,000
Total costs and expenses	**$1,305,201,000**

Note 9: Provision for Anticipated Losses on Long-Term Fixed Price Contracts—The Corporation was unsuccessful in 1972 in its attempt to increase residual fuel oil prices under long-term fixed price contracts with two electric utility customers to cover additional costs resulting from increased foreign tax take by oil exporting countries. The anticipated future losses to be incurred during the performance of these contracts aggregating $32,515,000 ($.88 per share), after deducting deferred income tax effect of $30,013,000, were charged against 1972 earnings.

CAPITALIZATION OF INTEREST

An increasing number of survey companies disclose the practice of capitalizing interest on debt. Such disclosure was made by 8 companies in 1967-1969, 21 in 1970, 25 in 1971, and 40 in 1972. Examples of capitalized interest follow.

AMERICAN METAL CLIMAX, INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Interest Expense—Interest on general corporate borrowings as well as specific project borrowings applicable to major construction projects is capitalized and subsequently amortized by charges to earnings over the life of the project. The policy of capitalizing interest on general corporate borrowings applicable to major construction projects was implemented October 1, 1971.

Note 3: Interest Expense—Interest charged to earnings before income taxes totaled $21,550,000 in 1972 and $25,930,000 in 1971. Interest and other income before income taxes totaled $9,800,000 in 1972 and $13,330,000 in 1971.

In 1972, capitalized interest after taxes totaled $6,010,000 or 25c per share. In 1971 capitalized interest totaled $1,990,000, including $1,380,000, or 6c per share, attributable to the change in accounting policy described in Note 1. If the change in accounting policy had been in effect for the entire year, 1971 net earnings would have been increased by an additional $3,300,000, or 14c per share.

WALT DISNEY PRODUCTIONS (SEP)

Notes to Consolidated Financial Statements

Note 3 (in part): Notes Payable and Long Term Liabilities—Net interest expense amounted to $1,823,000 for fiscal year 1972; additional interest of $2,200,000 paid through completion of major construction of Walt Disney World in 1972 has been included in deferred preopening costs. Other revenues for 1971 include $1,150,000 net interest income earned.

GEORGIA-PACIFIC CORPORATION (DEC)

Notes to Financial Statements

Note 6: Depreciation and Capitalization Policies—Provision for depreciation of buildings, machinery and equipment have been computed using straight-line composite rates based upon the estimated service lives of the various units of property. The effective straight-line composite rates for the principal classes of property and equipment are as follows:

Land improvements	5 to 7%
Buildings	2 to 10%
Machinery and equipment	5 to 20%

Maintenance and repairs and replacements of minor units of property are charged to expense as incurred. Betterments and replacements of major units of property are capitalized and the replaced properties retired. No gain or loss is recognized on normal property dispositions; property cost is credited to the asset accounts and charged to the depreciation reserve accounts and any proceeds are credited to the depreciation reserve accounts. When there are abnormal dispositions of property, the cost and related depreciation reserves are removed from the accounts and any gain or loss is reflected in income

The companies capitalize interest on borrowed funds during construction periods. The capitalized interest is charged to the property and equipment account and amortized over the life of the related assets. Interest capitalized on projects under construction was as follows:

	1972	**1971**
	($ millions)	
Georgia-Pacific	$ 3.7	$ 6.6
Louisiana-Pacific	1.0	0.9
Consolidated	$ 4.7	$ 7.5

The companies defer net operating costs on new construction projects during the start-up phase. This deferral is amortized over approximately seven years. The amounts deferred in 1972 and 1971 were as follows:

	1972	1971
	($ millions)	
Georgia-Pacific	$ –	$ 4.7
Louisiana-Pacific	0.7	–
Consolidated	$ 0.7	$4.7

MARCOR INC. (JAN)

Financial Information

	1972	**1971**
	($ thousands)	
INTEREST EXPENSE		
Interest on long-term debt	$43,526	S41,385
Discount on customer receivables sold, principally to Montgomery Ward Credit Corporation	71,595	69,191
Interest on advances from Credit Corporation	2,961	10,283
	$118,082	**$120,859**
Less:		
Income before income taxes of Montgomery Ward Credit Corporation	(24,782)	(25,006)
Capitalized interest on construction in progress	(2,332)	(3,748)
Miscellaneous interest income, net	(3,928)	(6,356)
Total interest cost	**$ 87,040**	**S 85,749**

NL INDUSTRIES, INC. (DEC)

Financial Report

Property, Plant and Equipment— During the year the Company invested $59,771,000 in property, plant and equipment.

Major expenditures were made for the Magnesium Division's plant in Utah; the construction of a metal processing plant in Pedricktown, New Jersey; expansion of the titanium pigment plant in Belgium and the Norwegian mining facility; transportation and well logging equipment for the Baroid Division; and expenditures in connection with the Company's environmental control program.

Interest expense on funds borrowed to finance the construction of the magnesium plant has been capitalized and is included in property, plant and equipment. The amounts capitalized aggregated $8,956,000 at December 31, 1972, of which $5,342,000 was capitalized in 1972.

A summary of property accounts follows:

	1972	**1971**
	($ thousands)	
Manufacturing properties		
Land	$ 17,515	$ 14,451
Buildings	158,462	145,393
Machinery and equipment	473,344	429,600
Mining properties	49,505	48,131
Intangibles not being amortized	22,492	22,492
	721,318	**660,067**
Less reserves	357,542	334,042
	$363,776	**$326,025**

QUAKER STATE OIL REFINING CORPORATION (DEC)

Notes to Financial Statements

Note 6: See "Financial" for information with respect to (a) change in authorized Capital Stock and two-for-one stock split in 1972; (b) basis of reporting net income per share of Capital stock; (c) acquisition of subsidiary; (d) term debt and related restrictions, including payment of cash dividends; (e) Company contribution to employee savings plan; (f) capitalized interest; and (g) litigation.

Financial (page 14)

Capital expenditures in 1972 totaled $17,100,000, including $5,800,000 representing final payments for the new Congo Refinery. The total expended for the Congo Refinery over the past four years was $47,400,000. In addition, the new crude oil pipeline serving Congo had an aggregate construction cost of $3,100,000. During the Congo construction period, interest expense on the Company's $25,000,000 of 9% Debentures issued in 1970 less income earned by investing the unexpended portion of proceeds was capitalized as a cost of construction. In 1972, this amounted to $937,500, and for the entire construction period, a total of $3,179,500 was capitalized. During the year approximately $7,200,000 was expended in the exploration and development of Pennsylvania Grade crude oil production properties. Also, about $2,700,000 was expended during the year for marketing and transportation facilities. For 1973, capital expenditures have been budgeted at $19,000,000.

A.E. STALEY MANUFACTURING COMPANY (SEP)

Financial Review

Long-Term Debt (in part)— Interest expense was $3,702,000 in 1972 and $2,382,000 in 1971, which included interest on short-term debt of $1,587,000 and $1,216,000 respectively. These amounts have been reduced for the interest expense capitalized in connection with the construction of the Morrisville plant until it became operational in 1972; this amounted to $933,000 in 1972 and $1,250,000 in 1971. Interest costs attributable to expansion of existing plants and other construction continued to be expensed as incurred.

TABLE 3-8: SALARIES

Information Presented	1972	1971	1970	1969
Salaries shown separately	50	55	63	68
Salaries combined with employee benefits	81	89	100	118
Companies presenting information as to salaries	131	144	163	186
Manner of Presentation				
Income statement	17	14	16	18
Historical summary	61	62	68	70
Elsewhere	53	68	79	98
Companies presenting information as to salaries	131	144	163	186

EMPLOYEE COMPENSATION

SALARIES

Table 3-8 discloses that 131 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

CYCLOPS CORPORATION (DEC)

COSTS AND EXPENSES (Note 7)

	($ thousands)
Employment costs:	
Wages and salaries	$110,702
Employee benefits (Note 8)	26,816
	137,518
Materials. services and other costs	240,049
Depreciation	12,616
Taxes. other than payroll and income taxes	5,683
Interest expense	6.442
	$402,308

Note 7: Costs and expenses—Included in "Employment costs" and "Materials, services, and other costs" are cost of sales of $349,339,000 and $292,315,000, and selling and administrative expenses of $28,230,000 and $20,340,000 for the years 1972 and 1971, respectively.

Note 8: Pension Plans—Pension costs for all plans were $7,413,000 in 1972, and $5,888,000 in 1971. The increase in pension costs during 1972 is primarily attributable to new labor agreements negotiated during 1971 which provided for, among other things, increased pension benefits effective August 1, 1972. The actuarially estimated value of vested benefits for all plans as of the date of the last valuation exceeded the total of the pension funds and balance sheet accruals by approximately $31,600,000.

LUKENS STEEL COMPANY (DEC)

COSTS AND EXPENSES:	
Employment costs–	
Wages and salaries	$46.048.000
Vacation. holiday and shift pay	6.344.000
Insurance. pensions and other benefits	12.891.000
Payroll taxes	2.333.000
Total employment costs	**$67,616,000**

UNITED STATES STEEL CORPORATION (DEC)

COSTS	
Employment costs	
Wages and salaries	$1,996,611,382
Employe benefits (Note 9)	400,687,779
	2,397,299,161
Products and services bought	2,283,170,659
Wear and exhaustion of facilities	326,617,416
Interest and other costs on debt	67,357,153
State, local and miscellaneous taxes	153,508,543
Total costs other than United States and foreign taxes on income	**$5,227,952,932**

Note 9 (in part): Employe Benefits—The details of employe benefits are summarized as follows:

	1972 ($ millions)
Pension costs	$ 73.5
Social security taxes	100.3
Insurance costs	130.5
Supplemental unemployment and extended vacation benefit costs*	27.1
Savings fund costs	15.3
Payments to industry welfare and retirement funds and other employe benefit costs	54.0
Total cost of employe benefits	**$400.7**

*Excludes $32.1 million and $35.8 million in 1972 and 1971, respectively, for extended vacation benefits which are included as wages and salaries.

In Historical Summary

ATLANTIC RICHFIELD COMPANY (DEC)

Consolidated Financial Trends

Taxes charged against income	**$ 750.3
Payroll expense	**$ 355.4
Employees	* 27.8
Dry hole costs	**$ 30.6
Depreciation, depletion, amortization and retirements	**$ 242.9
Working capital	**$ 468.0
Current ratio	1.72
Gross property, plant and equipment	**$5,732.8
Net property, plant and equipment	**$3,043.4
Long term debt	**$ 809.5
Shareholders equity	**$2,967.9
Employed capital (equity plus debt)	**$3,777.4
Employed capital per employee	*$ 136.1
Common stock, $5 par—shares issued	* 46.163
Shareholders—common	* 140.6

*Indicates thousands

**Indicates millions

CURTISS-WRIGHT CORPORATION (DEC)

Five Year Summary

	($ thousands)
FINANCIAL RATIOS AND OTHER DATA:	
Shares of stock held by stockholders at December 31:	
Class A	258,948
Common	8,707,132
Percentage return on stockholders' equity	3.3%
Dividends per share paid to common stockholders	---
Earnings (loss) after dividends for future growth	$ 5,533
Ratio of current assets to current liabilities	2.3 to 1
Depreciation on plant and equipment	$ 10,092
Approved for new plant and equipment	3,107
Salaries and wages paid to our employees	76,937
Number of employees	7,170

GENERAL MOTORS CORPORATION (DEC)

Statistical Summary

Year	Payrolls	Average Number of Employees
1953	$2,676,044,049	585,602
1954	2,610,195,006	576,667
1955	3,127,145,514	624,011
1956	2,895,768,446	599,243
1957	2,954,775,530	588,160
1958	2,688,379,697	520,925
1959	3,083,759,866	557,218
1960	3,487,092,528	595,151
1961	3,238,818,071	552,984
1962	3,894,873,691	604,718
1963	4,312,751,823	640,073
1964	4,592,481,476	660,977
1965	5,448,342,843	734,594
1966	5,559,741,677	745,425
1967	5,634,191,663	728,198
1968	6,540,142,678	757,231
1969	6,928,279,079	793,924
1970	6,259,840,549	695,796
1971	8,015,071,514	773,352
1972	**8,668,223,736**	**759,543**

Elsewhere in Annual Report

COPPERWELD STEEL COMPANY (DEC)

Financial Review (page 14)

Employment Costs—The substantial increase in employment costs for 1972 resulted primarily from (1) changes that became effective during the year from previously negotiated collective bargaining agreements, (2) the acquisition of Regal Tube Company, and (3) the higher levels of business activity that prevailed in 1972 as compared with the previous two years.

EMPLOYMENT COSTS FOR THE YEARS	1972	1971	1970
		($ thousands)	
Payments for time not worked	$ 6,771	$ 5,781	$ 5,799
Payments for employee health and welfare	8,929	6,614	6,166
Payments required by law	2,683	2,118	2,067
Total Employee Benefits	**18,383**	**14,513**	**14,032**
Wages and salaries	47,630	39,093	37,716
Total Employment Costs	**$66,013**	**$53,606**	**$51,748**

CUMMINS ENGINE COMPANY, INC. (DEC)

Financial Review (page 22)

Employment—Employment costs totaled approximately $162 million in 1972 or 31% of net sales compared to approximately $146 million or 30% in 1971. Employment costs include payments for salaries and wages and fringe benefits including holidays, vacations, retirement plans, insurance, social security and other benefits.

At year end there were 16,509 employees of the Company compared with 15,014 at the end of 1971, with the increase resulting from new operations and higher production levels in both the engine business and diversified products.

CUTLER-HAMMER, INC. (DEC)

Employee Relations (page 12)—At year-end, consolidated worldwide employment totalled 13,600, an increase of approximately 900 employees from one year ago. Of the total, 2,900 were engaged in activities outside of the United States.

Approximately 38 percent of the increase in employment during 1972 came from domestic firms acquired subsequent to the end of 1971, with the remainder of the increase spread throughout the U.S. operating divisions. Employment in international operations declined slightly in the past year, reflecting efforts to increase productivity and improve profitability of overseas subsidiaries.

A summary of employment levels for the entire corporation for the past five years follows:

Number of Employees	
1968	11,800
1969	12,100
1970	10,900
1971	12,700
1972	**13,600**

Total expenditure for wages and salaries in 1972 was $115,849,000, or 41 percent of sales, which compares with $101,014,000, or 42 percent in 1971.

The Company has a broad range of benefit programs designed to serve the needs of employees and meet the customs and legal requirements of the various countries in which it operates.

A summary of the cost to the Company of these plans is as follows ($ thousands):

Company Investment in Employee Benefit Plans	1972	1971
Company-Sponsored Group Insurance Plans	$ 4,371	$ 3,643
Company Contributions to Government-Sponsored Insurance Plans	1,406	933
Company-Sponsored Employee Pension Plans	4,454	3,727
Company Contributions to Government-Sponsored Pension Plans	4,621	3,781
Paid Vacations and Holidays	9,612	8,398
Total	**$24,464**	**$20,482**

Combining wage and salary expenditures with the cost of benefit programs, the total amount of money paid directly and indirectly to employees in 1972 was $140,313,000, or 50 percent of sales, versus $121,496,000, or 51 percent of sales in 1971.

PENSION AND RETIREMENT PLANS

In November 1966 the Accounting Principles Board 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 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 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 past 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*	**1972**	**1971**	**1970**	**1969**
Normal cost and amortization of prior service cost (*33.159)	419	396	392	381
Normal cost and interest on unfunded prior service cost (*60,225.339)	48	61	65	67
Normal cost only (*120,315)	70	60	69	65
No reference to prior service cost	80	93	86	74
No provision	11	10	8	10
Number of pension plans	628	620	620	597
Additional Disclosures*				
Excess of vested benefits over amounts accrued or funded (*108,215.495)	211	186	155	150
Excess of amounts accrued or funded over vested benefits (*49,282,374)	115	111	N/C	N/C
Amount of unfunded prior service costs (*72,198,330)	111	91	94	100
Changes in plan during year (*79,149,232)	86	60	63	61
Plan not fully funded (*27,275,276)	29	25	21	20
Number of Companies				
Disclosing pension plans	551	541	538	536
Not disclosing pension plans	49	59	62	64
Total	**600**	**600**	**600**	**600**

N/C— Not compiled.

*Refer to Company Appendix Section.

Pension Costs Include Amortization of Prior Service Costs

AMERICAN BAKERIES COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Retirement Plans—The Company has a retirement plan for all eligible employees in an executive, administrative, supervisory or clerical capacity. Retirement plan provisions were $826,657 in 1972, and $847,134 in 1971, and include amortization of past- and prior-service costs over a forty year period.

The Company's policy is to fund a portion of pension costs accrued and the resulting future tax benefits related to unfunded pension costs are reflected as reductions of current income taxes payable in the accompanying financial statements. As of June 30, 1972, the actuarially computed value of vested benefits exceeded the total assets of the retirement fund and the balance sheet accrual ($2,722,385 at December 30, 1972) by approximately $700,000. Unfunded past-service costs amounted to approximately $2,840,000 as of the most recent valuation date.

FAIRCHILD INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 7: Pension Plans—The Corporation has pension plans for its salaried and hourly employees. The plan for salaried employees provides (a) funded fixed pension benefits, and (b) supplemental pension benefits through contribution by the Corporation of a percentage of its earnings before taxes on income. Total pension costs accrued for 1972 and 1971 were $5,033,000 and $5,837,000, respectively. Amounts for supplemental benefits included in the total costs for the year were 1972, $1,839,000 and 1971, $1,906,000. The decrease in cost of plan benefits for 1972 was largely due to a reduction in the number of persons included in the salaried plan and resulting actuarial gains which are being recognized over ten years.

Unfunded past service costs approximated $17,200,000 at December 31, 1972 (after giving effect to union negotiations completed in January, 1973) and $14,200,000 at December 31, 1971, and are being amortized over a 30-year period. The actuarially computed value of vested benefits of certain plans exceeded the net assets of the related pension funds, including year-end balance sheet accruals, by approximately $14,400,000 and $8,100,000 at December 31, 1972 and 1971, respectively. The Corporation's liability to make pension payments under such plans is limited to the net assets of the funds.

PEOPLES DRUG STORES, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 6: Pension Plan—The company maintains a contributory pension plan open to all full time employees after they have completed two years of continuous service and attained age 30, provided they have not then attained age 55. The company's policy is to fund the pension cost accrued each year. The cost to the company was $666,000 in 1972 and $818,000 in 1971, which includes amortization of prior service cost over 30 years. The unfunded prior service cost was $3,800,000 and the liability for participants' vested benefits was less than the net assets of the pension plan fund per the last actuarial report as of January 1, 1972.

THE UNITED PIECE DYE WORKS (DEC)

Notes to Consolidated Financial Statements

Note G (in part): Commitments and Contingencies—The Company and its subsidiaries have pension plans covering substantially all salaried and certain hourly employees. The Companies fund the plans covering salaried employees by depositing actuarially determined pension costs with trustees; such costs include normal costs, interest on unfunded past service costs and amortization of past service costs based on an amortization period of approximately 15 years. The plan covering hourly employees is funded by deposits with trustees based on a fixed rate of contribution per hour worked; any excess of fixed-rate deposits over actuarially determined normal costs is applied to interest on past service costs and to amortization of past service costs. Actuarial gains and losses of the plans are reflected in the calculation of their respective normal costs and, accordingly, are being spread over current and future years.

The total pension cost charged to operations and funded was $263,259 in 1972 and $274,777 in 1971. In addition, the Companies, in 1972, made a supplemental contribution of $262,303 to the salaried employees' plans in order to accelerate funding of past service costs with certain tax benefits and to thereby reduce required cash contributions in future years. Of the total supplemental contribution, $88,000 is included in prepaid expenses and $174,303 in deferred charges in the accompanying balance sheet as at December 31, 1972. The unfunded past service liability under the plans aggregated approximately $541,000 at December 31, 1972.

It is estimated that the value of the trust funds as at December 31, 1972, was approximately equal to the actuarially computed value of vested benefits at that date.

In 1972, the plan covering salaried employees was amended to provide for voluntary contributions by electing participants to segregated interest-bearing or variable-investment accounts.

Pension Costs Included Interest On Unfunded Prior Service Costs

BIRD & SON, INC. (DEC)

Summary of Significant Accounting Policies

Retirement Plans—The companies have noncontributory pension plans covering substantially all employees except those covered under union pension plans. Charges to earnings are based on current service cost and interest on the unfunded past service liability. Annual contributions are made to the funds in varying amounts based on the advice of consulting actuaries.

Notes to Consolidated Financial Statements

Note 9: Retirement plans—The actuarially computed value of vested benefits for all plans exceeded the total of pension fund assets and balance sheet accruals, less deferred pension charges, at December 31, 1972 and 1971 by $2,700,000 and $3,200,000, respectively.

Total pension expense amounted to $1,045,000 in 1972 compared with $1,058,000 in 1971.

Pension Costs Include Payments To Union Sponsored Plans

BORDEN, INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Retirement Plans—Charges to operations under the Company's retirement plans, which cover those employees who are not members of collective bargaining units as well as certain employees who are members of such units, include current service costs and amortization of prior service costs generally over a 30-year period. The Company's policy is to fund amounts equal to pension costs accrued.

Note 5: Retirement Plans—The charges to operations under the Company's retirement plans were $4,644,000 in 1972 and $4,819,000 in 1971. The actuarially computed value of vested benefits under these plans as of January 1, 1972 exceeded the total pension funds and balance sheet accruals by approximately $17,365,000. Operations were charged approximately $3,555,000 in 1972 and $3,231,000 in 1971 for payments to pension trusts on behalf of certain employees covered by collective bargaining units who have not elected to participate in the Company's plans and of retirement allowances paid to former employees under arrangements in effect prior to the inception of the present plans.

During 1972 the Company increased benefits under its retirement plans and changed the actuarial assumption regarding assumed earnings of the plans. These changes did not have any significant effect on 1972 pension costs.

INTERSTATE BRANDS CORPORATION (DEC)

Note 7: Pension Plans—The company has four trusteed noncontributory 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 $2,100,000 as of December 30, 1972.

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:

	Dec 30, 1972	Jan 1, 1972
Trusteed pension and retirement plans	$1,778,119	$1,650,323
Negotiated pension plans	4,267,466	3,819,566
	$6,045,585	**$5,469,889**

No Provision For Pension Costs

ANDERSON, CLAYTON & CO. (JUN)

Notes to Consolidated Financial Statements

Note 7: The pension plans of the Company and its consolidated subsidiaries cover salaried and certain hourly employees. Pension expense for 1972 was $162,000, as compared to $749,000 in 1971. No provision for expense was required for the current year for the domestic salaried employees' plan due to the overfunded status of the plan and amortization of unrealized gains. The Company's policy is to fund pension costs as accrued except where otherwise specifically required by contract. The value of the assets exceeds the liability for vested benefits.

FIRST NATIONAL STORES INC.

Notes to Financial Statements

Note 8: Pensions—The Company maintains a trusteed noncontributory pension plan for employees who are not covered by union pension plans. The Company's plan is fully funded and no contribution to the fund nor provision for pension expense for the year is required. Actuarial gains resulting principally from the transfer of employees to various union plans and unrealized appreciation in the fund are being amortized over 10 year periods from the date of occurrence. Since 1966 no charges have been made for pension costs, other than contributions to union pension plans, because of such amortization. As of the most recent valuation date, the fund assets exceeded the actuarially computed value of vested benefits.

Total pension cost charged to earnings representing contributions to union plans was $2,850,000 in 1972 and $2,342,000 in 1971.

Vested Benefits Exceed Pension Fund and Accruals

COLUMBIA PICTURES INDUSTRIES, INC. (JUN)

Notes to Consolidated Financial Statements

Note L: Pension Plan—Effective July 1, 1971, the Company's profit-sharing and stock-bonus retirement plans were converted into a pension plan covering most of its domestic non-union personnel. Current service costs are funded as accrued and past service costs ($5,472,000) at July 1, 1971 are being funded over approximately 20 years. The contribution to the plan for fiscal 1972 was $707,000 which has been charged to expense. The Company's independent actuary has advised that the present value of all vested benefits exceeded the value of the pension fund assets by approximately $2,898,000 at July 1, 1971.

COPPERWELD STEEL COMPANY (DEC)

Financial Review (Page 14)

Pension Programs—Pension benefits are provided for eligible employees under provisions of Company-financed pension or retirement plans. All benefits under Company-administered pension plans are paid from funds deposited by the Company in trusts administered by a bank as trustee. In 1972, benefits amounting to $2,517,871 were paid to 1,232 retired employees.

It is the Company's policy to fund no less than the accrued pension cost except in the case of the plan for the former bargaining unit employees of the Superior Steel Division which was sold in 1961. As to the pension plan being administered for these individuals, the present value of unfunded pension costs is included as a liability in the Company's Statement of Financial Position. The portion of the liability which applies to presently retired employees is being funded by the Company over 20 years from January 1, 1969.

The pension trusts are funded on the basis of the cost of providing benefits applicable to employees' service in the current year and amortizing the unfunded portion of prior years' service liability over periods of time not exceeding 40 years, all as determined by an independent actuary and in accordance with recognized accounting procedures. In addition, the Company makes payments to retirement funds for employees of Flexo Wire Division and Regal Tube Company. The cost of providing retirement benefits under the various plans amounted to $4,840,479 in 1972 as compared with $2,933,899 in 1971.

The trust assets of all six of the Company's trusteed pension plans (excluding the former Superior Steel Division Plan) on their respective 1972 anniversary dates, plus the accrual at December 31, 1972, exceeded the actuarially computed present value of the aggregate vested benefits by $2,037,326. However, under four of the plans the present value of vested benefits exceeded the assets and accrual for the applicable trusts by $3,895,000. In 1972 the Company accrued additional contributions of $1,223,000 for the purpose of reducing the excess of benefits vested over total assets in these four trusts. As a result, net income was reduced by $587,000 ($.24 per share).

CRANE CO. (DEC)

Financial Review

Pensions—Pension costs charged against operations for the retirement plans maintained by the Company and its subsidiaries were $16,619,000 for 1972, compared with $13,944,000 for 1971. Current service and interest costs for all plans are funded annually and prior service costs of CF&I Steel and certain other of the Company's subsidiaries are funded over a maximum of 30 years. At December 31, 1972, CF&I Steel vested benefits exceeded the total of pension plan assets and balance sheet accruals by $120,000,000 ($65.000,000 at December 31, 1971). This increase was caused by the full application of the August 1, 1971 labor contract, which became effective August 1, 1972. The Company and all other subsidiaries have no unfunded vested benefits.

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

Notes to Financial Statements

Note A (in part): Accounting Policies: Pension Costs—The Corporation and its subsidiaries contribute to pension plans for substantially all employees. Payments required under labor agreements to plans established by unions are made currently to such plans and charged to income. As to trusteed plans established by the Corporation and the consolidated subsidiaries, the charges ($4,324,000 in 1972 and $4,355,000 in 1971) to income were actuarially-determined and funded on a basis including normal costs, an amount equivalent to interest on prior service costs, and, in 1972, a provision for the excess (as of December 31, 1972) of vested benefits over assets in trust under one of the plans. Such excess increased from $188,000 as of December 31, 1971 to $9,715,000 as of December 31, 1972. The increase resulted principally from a revision in eligibility requirements for vesting of benefits. In addition, the actuarially-assumed rate of interest earned on investments of the trusteed plans was revised from 4½% to 5½% to reflect current experience. The effect of these changes on consolidated net income was not material. Assets in trust exceeded the vested benefits under other plans.

OSCAR MAYER & CO. INC. (OCT)

Summary of Accounting Policies

Pension expense includes amortization of prior service costs over 30 years. Accrued pension cost is funded annually.

Financial Review

Pension Plans—Pensions are provided under certain trusteed plans covering substantially all employees. A limited number of employees are covered by collective bargaining agreements under which payments are made to union administered welfare funds. With respect to the trusteed plans, the actuarially determined approximate value of vested benefits and pension fund assets at the dates of the most recent actuarial valuations were as follows:

	Jan 1	
	1972	**1971**
Vested benefits	$66,700,000	$66,500,000
Fund assets	49,100,000	37,600,000
Excess of benefits over assets	$17,600,000	$28,900,000

The value of vested benefits and pension expense reflect a further increase in benefits effective January 1, 1972 under certain of the trusteed plans. Changes made during the year in the actuarial cost method and assumptions used in computing pension costs and liabilities had the effect of reducing the estimated value of vested benefits at January 1, 1972 and the 1972 pension expense by approximately $7,000,000 and $600,000, respectively. The changes in assumptions include increases in the assumed rates of return and of salary progression, and a reduction in the assumed rates of employee turnover. Such changes in the assumptions and the change in cost method—both approved by the actuary—are designed to make the determination of pension expense for future years more responsive to the actual and anticipated experience under the plans.

We anticipate no major changes in the pension plans due to current proposals for federal legislation.

Pension Fund Exceed Vested Benefits

THE MAGNAVOX COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 9: Pension Plan—The Company and its subsidiaries have several non-contributory pension plans covering substantially all of their employees. Pension expense totaled $5,053,000 in 1972 and $4,792,000 in 1971, including amortization of prior service costs on a thirty-year period. Effective January 1, 1971, the pension benefits and the interest rate used in actuarial computations were increased; however, the net effect of these increases was not significant. While it is Company policy to fund pension costs accrued, the actuarially computed value of vested benefits for certain plans exceeded related pension funds and balance sheet accruals by approximately $3,100,000 at December 31, 1972. However, for all other plans, fund assets exceeded vested benefits by approximately $11,400,000.

PET INCORPORATED (MAR)

Financial Review

Retirement Plans—The company's several retirement plans include plans of Pet and plans assumed by the company in the merger or acquisition of predecessor companies. These plans cover substantially all salaried and hourly employees, subject to conditions such as age and service, and, according to their provisions, 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's expense under the plans during the years ended March 31, 1972 and 1971, was approximately $4,300,000 and $3,700,000, respectively. Past service costs under these plans, in the aggregate, were substantially funded at March 31, 1972. The fund assets were in excess of $50,000,000 and exceeded the actuarially computed value of vested benefits.

Plan Adopted or Amended

BELDING HEMINWAY COMPANY, INC. (DEC)

Notes to Financial Statements

Note F—Effective January 1, 1972, subject to Internal Revenue Service approval, the Company adopted a new retirement plan to provide for increased pension benefits and employee coverage. Under the new plan, actuarial cost computations were modified and the amortization period for past service costs (approximately $7,000,000 at January 1, 1972) was increased from 13 years to 30 years. The company's policy is to fund pension costs accrued. As of January 1, 1972 (date of latest calculation), the actuarially computed value of vested benefits exceeded the total of the pension fund and balance sheet accruals by approximately $2,500,000.

Pension expense for 1971 (under the old plans) was $436,000 and for 1972 (under the new plan) was $627,000. The Company estimates that the change in the amortization period of prior service costs had the effect of increasing net income for the year by approximately $160,000 ($.05 per share).

CRADDOCK-TERRY SHOE CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note 3: Pension Plans—The funds and securities deposited with the trustee of the Pension Trust Fund, a revocable trust with no restrictive covenants, are available for general corporate purposes at the pleasure of the Board of Directors.

During the current year the Company's retirement plan, originally adopted in 1959, was amended to integrate it with social security retirement benefits and to reflect current conditions. The amendments in the Company's plan had the effect of increasing net income for 1972 approximately $49,000 or $.03 per share. Total costs of the plans charged to income were $194,721 for the year 1972 and $293,553 for the year 1971, which included amortization of past service costs over periods not exceeding twenty years. Pension fund assets exceed the actuarially computed value of vested benefits.

JOHN FLUKE MFG. CO., INC. (SEP)

Notes to Consolidated Financial Statements

Note 3: Employee Benefit Plans—The company has a deferred compensation plan for key executives providing for periodic payments upon retirement. Operations for the years ended September 30, 1972 and 1971 have been charged $50,000 and $44,000, respectively. All contributions to the plan remain the property of the company until paid to the participants. It is the policy of the company to invest these amounts to fund the plan.

The company has a Profit-Sharing Retirement Plan which has been qualified under the Internal Revenue Code. All employees except those hired on a temporary basis are eligible to participate in the Plan. Contributions under this plan for the years ended September 30, 1972 and 1971 were $250,000 and $150,000, respectively.

The company has a profit-sharing bonus plan which provides, generally, for cash payments to eligible employees based upon operating performance. Operations for the year ended September 30, 1972 and 1971 have been charged $420,894 and $192,661, respectively.

Effective September 30, 1972, the Board of Directors approved a trusteed, non-contributory Retirement Income Plan for all employees meeting certain age and compensation requirements. The contribution charged to operations for 1972 was $40,000, which amount included amortization of past service cost over a period of 20 years. The Company's policy is to fund the pension costs accrued. It is estimated that the total pension fund and balance sheet accruals exceeded the actuarially computed value of vested benefits. Unfunded past service costs as of September 30, 1972 are estimated at approximately $190,000. The plan is subject to approval by the Internal Revenue Service.

Change In Actuarial Assumptions Or Accounting Method

COLONIAL SAND & STONE CO., INC. (DEC)

Notes to Consolidated Financial Statements

Pensions—Colonial maintains a pension plan for non-union employees who have attained age thirty and have completed three years of service. Total pension expense for 1971 and 1972 was $235,000 and $261,000, respectively, which includes a payment to cover interest only on the initial past service liability. The Company's policy is to fund current service pension cost as it is accrued. The actuarially computed present value of vested benefits exceeded the total of the pension fund assets and balance sheet accruals by approximately $1,200,000 at the latest valuation date. During 1972, plan benefits were improved and the actuarial assumptions used to determine annual costs were modified, the combination of which had the effect of increasing net income for the year by approximately $35,000.

THE EASTERN COMPANY (DEC)

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 December 30, 1972 and January 1, 1972 aggregated $345,865 and $482,461, 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, 1971 and December 31, 1970 (dates of latest actuarial valuations) exceeded the total of the applicable pension fund and balance sheet accruals by approximately $11,700 and $307,000 as of the respective dates. As of December 30, 1972 and January 1, 1972, unfunded prior service cost of the plans approximated $1,340,000 and $1,649,000, respectively. During 1972, the Company amended benefit provisions of certain plans and changed the treatment of actuarial gains to systematically reflect unrealized appreciation of common stocks in the fund as a reduction in annual contributions. The aggregate effect of these changes was to decrease pension expense and increase net income for 1972 by approximately $171,500 and $89,100, respectively.

ELECTRIC HOSE & RUBBER COMPANY (AUG)

Notes to Financial Statements

Note 5: Pension and retirement plans—The Company 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 was $886,300 in 1972 and $926,500 in 1971 which included $329,100 and $373,200, respectively, applicable to past service costs. Funding of past service cost is currently scheduled over 40 years. Prior to fiscal 1972 funding of past service cost was scheduled over 28 to 30 years. The change in funding policy had the effect of increasing net income for fiscal 1972 by approximately $26,000.

Vested benefits actuarially computed for all plans as of September 1, 1971 exceed funds and accruals by approximately $2,000,000. In the preceding year the corresponding figure was approximately $1,600,000. The increase results from a liberalization of benefits and early retirement rules effective September 1, 1971. The unfunded past service costs at August 31, 1972 and 1971 approximated $5,000,000.

During 1972 the Company transferred to the pension trust certain plant and property with a net book value (approximating market value) of $962,000 in satisfaction of certain of the Company's obligations to the pension trust. The Company has entered into a lease agreement for the rental of these facilities from the Pension Trust for a period of ten years with renewal privileges thereafter. Such agreement requires an annual minimum net rent of $69,300.

KELSEY-HAYES COMPANY (AUG)

Notes to Consolidated Financial Statements

Note F: Pensions—The Company has trusteed non-contributory pension plans covering substantially all employees. The unfunded past service costs of these plans are being amortized over 25 to 30 years. The Company's policy is to fund pension costs accrued.

Improvements in benefits under the Company's pension plans resulted in increased pension costs of approximately $1,950,000 during the year ended August 31, 1972. In addition, certain assumptions used in the actuarial computation of pension costs of domestic pension plans were changed which resulted in decreasing pension expense by approximately $920,000. These changes in benefits and actuarial assumptions had the net effect of decreasing net earnings for the year ended August 31, 1972, by approximately $535,000.

The actuarially computed value of vested benefits for all plans as of August 31, 1972, exceeded the total of pension fund assets at that date by approximately $35,000,000.

Plan Not Funded

CITY STORES COMPANY (JAN)

Notes to Financial Statements

Note L (in part): Commitments and Other Comments —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.

The amounts charged to income for pensions were approximately $1,750,000 this year and $1,700,000 last year. Under the plans there is no vesting, but if there were vesting, the actuarially computed value of vested benefits for retired employees and those who are eligible for retirement, 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 $11,100,000 as at February 3, 1973.

J. B. LIPPINCOTT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 4: Retirement and Profit Sharing Plans—The Company and one of its subsidiaries have non-contributory pension plans in effect, generally covering all employees, and deferred compensation contracts covering certain executives. The plans and contracts generally provide for voluntary retirement at age 65 with no vesting of benefits under the unfunded pension plans. Vested benefits under the deferred compensation contracts approximate amounts included in the provision for unfunded pension liability in the accompanying consolidated balance sheet. The Company does not presently contemplate funding its pension plans. However, approximately $47,800 of a subsidiary's prior service cost has been funded to date. Life insurance in force approximating $909,000 on the lives of some key personnel was purchased for purposes of providing funds to satisfy a portion of the Company's pension liability under deferred compensation contracts.

Annual amounts are provided, on the accrual basis, under the above mentioned plans and contracts based on actuarial estimates of current service costs and amortization of prior service costs over ten to thirty years. Unamortized prior service costs were $2,003,000 at December 31, 1972.

The Company also has a trusteed profit sharing plan, covering all of its employees in the United States with two calendar years of service, which provides that the Company contribute $4,000 plus 10% of the plans defined pre-tax earnings in excess of $200,000 but not more than 15% of the compensation of those covered by the plan.

The amounts charged to income for the respective plans and for pension payments were as follows:

	1972	**1971**
Pension plans and deferred compensation contracts	$121,100	$ 95,700
Profit sharing plan	163,839	177,990
Pensions paid to retired employees	112,917	89,738
	$397,856	**$363,428**

Statement Of Pension Plan

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

Financial Review

Pension Plans—The majority of the Company's employees are covered by trusteed contributory and non-contributory pension plans, the costs of which are based upon actuarial factors which, from time to time, may be adjusted depending upon actual investment experience. During 1972, the assumed rate of interest used in the actuarial computation of pension costs was increased to more closely reflect current conditions and amendments were made to the plans providing additional employee benefits. These changes did not significantly affect pension costs. The cost of these pension plans charged to income was $36,425,000 in 1972 and $37,077,000 in 1971 including amortization of prior service cost over a period of 25 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 fund assets by approximately $75,282,000. A summary of the pension fund assets as of October 31, 1972 and 1971 and changes in fund assets for the two years are shown below:

	1972	1971
	($ thousands)	
PENSION FUND ASSETS, AT COST:		
Short-Term Securities	$ 38,612	$ 47,976
U.S. Government Securities	230	230
Corporate Bonds and Notes	93,616	115,665
Preferred Stocks	5,327	4,090
Common Stocks	278,813	205,991
Real Estate	4,769	4,962
Cash and Interest Receivable	1,858	2,509
Total	**$423,225**	**$381,423**
CHANGES IN FUND ASSETS:		
Assets at Beginning of Year	$381,423	$338,301
Additions		
Company Contributions	$ 36,425	$ 37,077
Employee Contributions	3,277	2,827
Income from Fund Assets	23,558	22,567
Transfer from Predecessor Plans	1,941	1,009
Total Additions	**$ 65,201**	**$ 63,480**
Deductions:		
Pension Payments	$ 22,737	$ 19,511
Refunds to Withdrawing Employees	662	847
Total Deductions	**$ 23,399**	**$ 20,358**
Assets at End of Year	**$423,225**	**$381,423**

J. C. PENNEY COMPANY, INC. (JAN)

1972 Review of Operations and Financial Information

Retirement Plans—Retirement expense was as follows:

	1972	1971
	($ millions)	
Pension	$17.7	$ 6.4
Savings and profit-sharing	13.5	16.2
Total	**$31.2**	**$22.6**

Effective January 1, 1972, a revised pension plan and a separate savings and profit-sharing plan were adopted for domestic operations. If these new plans had been in effect throughout 1971, retirement expense would have been $28.4 million in that year.

Substantially all full-time employees in the United States who have completed 30 months of continuous service are participating in the new pension plan, which is noncontributory. In connection with the change to a noncontributory plan, prior participant contributions with accumulated interest are being refunded or transferred to the savings and profit-sharing plan. Current pension costs are funded annually as incurred, and all vested benefits are fully funded. The unfunded past service liability at year end was $29.6 million. Effective with 1973, the estimated annual rate of future income from pension plan assets has been increased from the 4 per cent previously in effect to 5 per cent. If the 5 per cent rate had been in effect in 1972, pension expense would have been approximately $15.8 million in that year.

The savings and profit-sharing plan encourages savings by allocating 4½ per cent of the Company's pre-tax profit to participants who save under the plan. Company contributions to the plan were made in previously unissued shares of Penney common stock.

Condensed financial statements of the combined retirement plans are as follows:

Condensed statement of changes in retirement fund assets

	1972	1971
	($ millions)	
Total assets at January 1	$481.7	$391.4
Company contributions	33.2	23.5
Participants' contributions	31.9	22.0
Contributed assets of acquired plans	1.7	--
Dividends, interest, and other income	12.0	12.2
Market appreciation of investments	68.3	64.7
Participants' contributions refunded	(3.6)	--
Benefits paid	(45.2)	(32.1)
Total assets at December 31	**$580.0**	**$481.7**

Condensed balance sheet

	1972	1971
	($ millions)	
ASSETS		
Penney common stock at market value: 3,618,161 shares in 1972; 3,365,915 shares in 1971	$327.0	$245.7
Funds with insurance companies	128.2	136.9
Other investments at market value	90.6	77.8
Other assets, net	34.2	21.3
	$580.0	**$481.7**
LIABILITIES		
Refunds due to participants	32.1	37.4
Reserved for pensions:		
Liability to pensioners	4.4	2.9
Reserve for pensions to participants not yet retired	62.8	34.2
Participants' equity in savings and profit-sharing plan	480.7	407.2
	$580.0	**$481.7**

COMPENSATORY PLANS

In addition to pension plans (Table 3-9) and "traditional" stock option and purchase plans (Table 2-54), many companies disclosed the existence of compensatory plans of the nature indicated in Table 3-10. *APB Opinion No. 25—Accounting for Stock Issued to Employees,* issued in October 1972, states in part:

TABLE 3-10: COMPENSATORY PLANS

Plan	1972	1971	1970	1969
Incentive compensation plan	104	92	106	123
Profit-sharing plan	75	71	66	62
Deferred compensation contract	56	46	72	41
Savings fund plan	33	27	29	
Other employee benefit plans	24	19	16	51
Total Plans	**292**	**255**	**289**	**277**
Number of Companies				
Disclosing above plans	236	217	236	224
Not disclosing above plans	364	383	364	376
Total	**600**	**600**	**600**	**600**

4. This Opinion deals with some aspects of accounting for stock issued to employees through both noncompensatory and compensatory plans (a plan is any arrangement to issue stock to officers and employees, as a group or individually). ARB No. 43, Chapter 13B, remains in effect for traditional stock option and stock purchase plans except that the measure of compensation is redefined in this Opinion. This Opinion recognizes certain practices that evolved after Chapter 13B of ARB No. 43 was adopted and applies the principles of that chapter to other plans in which the number of shares of stock that may be acquired by or awarded to an employee and the option or purchase price, if any, are known or determinable at the date of grant or award. It also specifies the accounting for (a) plans in which either the number of shares of stock or the option or purchase price depends on future events and (b) income tax benefits related to stock issued to employees through stock option, purchase, and award plans. Appendix A to the Opinion illustrates measuring and accounting for compensation under typical plans.

7. Paragraphs 4 and 5 of Chapter 13B of ARB No. 43 describe stock option and stock purchase plans that may not be intended primarily to compensate employees. An employer corporation recognizes no compensation for services in computing consideration received for stock that is issued through noncompensatory plans. The Board concluded that at least four characteristics are essential in a non-compensatory plan: (a) substantially all full-time employees meeting limited employment qualifications may participate (employees owning a specified percent of the outstanding stock and executives may be excluded), (b) stock is offered to eligible employees equally or based on a uniform percentage of salary or wages (the plan may limit the number of shares of stock that an employee may purchase through the plan), (c) the time permitted for exercise of an option or purchase right is limited to a reasonable period, and (d) the discount from the market price of the stock is no greater than would be reasonable in an offer of stock to stockholders or others. An example of a noncompensatory plan is the "statutory" employee stock purchase plan that qualifies under Section 423 of the Internal Revenue Code.

8. Plans that do not possess the four characteristics of non-compensatory plans are classified as compensatory plans. Since the major principles of Chapter 13B of ARB No. 43 are not changed, classification as a compensatory plan does not necessarily require that compensation cost be recognized.

10. *Measuring Compensation for Services.* Compensation for services that a corporation receives as consideration for stock issued through employee stock option, purchase, and award plans should be measured by the quoted market price of the stock at the measurement date less the amount, if any, that the employee is required to pay. That is the principle in Chapter 13B of ARB No. 43 with two modifications: (a) the meaning of fair value of stock for compensatory plans is narrowed and (b) the measurement date for plans with a variable number of shares of stock or a variable option or purchase price is different.....

Thus a corporation recognizes compensation cost for stock issued through compensatory plans unless the employee pays an amount that is at least equal to the quoted market price of the stock at the measurement date.

12. *Accruing Compensation Cost.* Compensation cost in stock option, purchase, and award plans should be recognized as an expense of one or more periods in which an employee performs services and also as part or all of the consideration received for stock issued to the employee through a plan. The grant or award may specify the period or periods during which the employee performs services, or the period or periods may be inferred from the terms or from the past pattern of grants or awards (ARB No. 43, Chapter 13B, paragraph 14; APB Opinion No. 12, *Omnibus Opinion—1967,* paragraph 6).

14. If stock is issued in a plan before some or all of the services are performed, part of the consolidation recorded for the stock issued is unearned compensation and should be shown as a separate reduction of stockholders' equity. The unearned compensation should be accounted for as expense of the period or periods in which the employee performs service.

16. *Accounting for Income Tax Benefits.* An employer corporation may obtain an income tax benefit related to stock issued to an employee through

> a stock option, purchase, or award plan. A corporation is usually entitled to a deduction for income tax purposes of the amount that an employee reports as ordinary income, and the deduction is allowable to the corporation in the year in which the amount is includable in the gross income of the employee. Thus, a deduction for income tax purposes may differ from the related compensation expense that the corporation recognizes, and the deduction may be allowable in a period that differs from the one in which the corporation recognizes compensation expense in measuring net income.
>
> 20. This Opinion applies to all stock option, purchase, award and bonus rights granted by an employer corporation to an individual employee after December 31, 1972 under both existing and new arrangements and to reductions of income taxes resulting from deductions as of a date after December 31, 1972 that are related to stock option, purchase, award, and bonus rights granted before as well as after the effective date of this Opinion.

With regard to compensatory plans established or financed by a principal stockholder of a corporation, an accounting Interpretation of *APB Opinion No. 25* and Chapter 13B of *ARB No. 43*, published in the June 1973 issue of *The Journal of Accountancy*, states in part:

> This type of plan should be treated as a contribution to capital by the principal stockholder with the offsetting charge accounted for in the same manner as compensatory plans adopted by corporations.
>
> Compensation cost should be recognized as an expense of one or more periods in accordance with the provisions of APB Opinions No. 25, paragraphs 12 through 15.
>
> The corporation should account for tax benefits, if any, from this type of plan in accordance with the provisions of APB Opinion No. 25, paragraphs 16 through 18. If the corporation receives no tax benefit from this type of plan, but would have received such benefit had the plan been adopted by the corporation, the absence of such tax benefit is one of the variables in estimating the plan's cost to the corporation (see APB Opinion No. 16, paragraph 89).

Incentive Compensation Plans

CPC INTERNATIONAL INC. (DEC)

Notes to Financial Statements

Incentive Compensation Plan— The incentive plan for elected officers and other management personnel as approved by the shareholders on April 23, 1958 provided an upper limit of 10% of dividends paid to shareholders. The plan provides for an annual fund of 2½% of pre-tax and pre-interest earnings reduced by 11% of total assets at beginning of year. Awards, as determined by the Executive Incentive and Stock Option Committee of the Board of Directors, are made for 75% of the award either in cash or Company common shares payable immediately or in Company common shares payable up to 10 years after retirement. The remaining 25% of the awaras is made in Company common shares, payable up to 10 years after retirement. The equivalent of dividends on the deferred shares of each awardee is invested in additional shares of Company common stock. Awards totaling $907,600 in 1972 and $574,900 in 1971 were charged to income, of which $323,229 and $228,701 was in common stock of the Company.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

Financial Review

Incentive Compensation— The Company has a key Personnel Incentive Profit Sharing Plan, administered by a non-participating Committee of the Board of Directors, under which compensation contingent upon consolidated income is provided for 1,681 key personnel, including officers. A provision of $12,076,000 ($10,204,000 in 1971) has been charged against 1972 income in anticipation of the distribution of the profit sharing fund in cash and shares of Goodyear Common Stock to be made in 1973 or deferred with respect to certain participants until after termination of employment (subject to forefeiture under various contingencies detailed in the plan).

SHELL OIL COMPANY (DEC)

Notes to Financial Statements

Note 5: Incentive Compensation Plan— Under the 1971 Incentive Compensation Plan, the Board of Directors may make incentive compensation awards to key employees (including officers and directors who are key employees) of the Company or of any of its wholly owned subsidiaries. These awards, in the aggregate, shall not exceed 2½% of the amount by which the adjusted net income of the Company and consolidated subsidiary companies for the year (as defined in the Plan) shall exceed 6% of the capital employed by the Company and such subsidiary companies during that year (as so defined). The provision for awards, which is made and charged against income for the current year in anticipation of awards for such year to be made the following year, amounted to $1,400,000 in 1972 and $1,000,000 in 1971. Awards in 1972 to key employees totaled $1,108,000.

STANDARD OIL COMPANY (INDIANA) (DEC)

Notes to the Financial Statements

Incentive Compensation Plans— In May, 1967 and 1971, shareholders approved incentive compensation plans for key executives. Bonuses, which may be in cash and/or company stock, are awarded from a special reserve. The reserve provision in each bonus year may not exceed 3 percent of the amount by which earnings (as defined in the plans) exceed 7 per cent of capital employed (as defined in the plans) during the year. Amounts charged against earnings and credited to a bonus reserve, in anticipation of awards to be made in the following year, were $3,399,000 in 1972 and $2,530,000 in 1971. Awards of $2,676,000 were made to 228 employees in 1972, and of $2,216,000 to 227 employees in 1971. The 1971 plan provides that half of each employee's award, up to 15 per cent of his salary, be included in the earnings base for retirement and some other benefit plans.

Profit Sharing Plans

ARDEN-MAYFAIR, INC. (DEC)

Notes to Financial Statements

Note 7: Profit Sharing Plan and Trust— During 1972, the Company adopted a non-contributory, trusteed profit sharing plan which is qualified under Section 401 of the Internal Revenue Code of 1954, as amended. All full time, nonunion employees over 18 years of age, employed for at least one year after the year in which first employed by the Parent Company and Telautograph Corporation, a subsidiary, are eligible for participation in the plan. The Company's contribution to the plan for any fiscal year, as determined by the Board of Directors, is discretionary, but in no event will it exceed 15% of the annual aggregate salaries of those employees eligible for participation in the plan. All contributions must be invested in the Company's Common stock. Contributions to the plan are allocated among eligible participants in the proportion of their salaries to the total salaries of all participants. For the fiscal year ended December 30, 1972, the Parent Company's contribution to the plan was $179,500 and Telautograph Corporation's contribution was $20,000.

GENERAL BINDING CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note (6): Profit-Sharing Plans—Under the provisions of a deferred contributory profit-sharing plan applicable to eligible employees of General Binding Corporation and its Domestic subsidiaries, the companies are required to make annual contributions, as defined, to a trust fund. The companies may make additional contributions for any year and have done so annually, except in 1968, since establishment of the plan. Employee participation in the plan is optional, participating employees must contribute at least 2% but cannot contribute more than 12% of total compensation. Contributions charged to consolidated income were $272,000 in 1972, and $253,000 in 1971.

The Company's International subsidiaries have adopted a variety of deferred contributory profit sharing pension or retirement plans. The benefits payable under these plans, for the most part, are provided by the purchase of insurance annuity contracts. The annual cost of these plans which have also been charged to consolidated income was $83,000 in 1972, and $76,000 in 1971.

LOWE'S COMPANIES, INC. (JUL)

Notes to Financial Statements

Note 8: Employees' Profit-Sharing Plan—There is in effect a qualified noncontributory employee profit-sharing plan established in June 1957. The Company and subsidiaries generally contribute to the plan the maximum amount allowed under the Internal Revenue Code; that is, 15% of the aggregate annual compensation paid to participating employees. Provisions for payments under the plan amounted to $2,667,382 for 1972 and $1,569,121 for 1971. The trust created by the plan holds approximately 31% of the outstanding shares and is the Company's largest shareholder.

ZENITH RADIO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 5: Profit-Sharing Retirement and Incentive Award Plans—In 1972, the Company modified its non-contributory profit-sharing retirement plan, to provide that a) each regular full time employee, except officers who are directors, be eligible to participate. b) the amount of the company contribution to the plan be based on consolidated net income for the year, as defined, after providing for a return to stockholders and limited to a minimum of six percent and a maximum of twelve percent of employees participating compensation, and c) the amount determined as the contribution be allocated among the eligible employee members on the basis of annual compensation as defined. The provisions for the years ended December 31, 1972 and December 31, 1971 were $13,859,071 and $6,053,225, respectively.

Also in 1972, the Company established an Incentive Award Plan. The plan provides that incentive awards may be made to officers and senior management employees from an incentive award reserve account funded each year based on an amount equal to three percent of the Company's consolidated income before taxes in excess of an amount equal to twelve percent of the stockholders' equity at the beginning of the year. The provision for 1972 was $2,013,000.

Deferred Compensation

EASCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 6 (in part): Pension and Deferred Compensation—In 1971, the Company adopted a Deferred Compensation Unit Plan for key employees. While common stock will not be issued, the operation of the Plan is related to the market value of the common stock over the base value assigned at the time of grant of Units, together with dividend equivalents thereon and increased per share earnings. The aggregate number of Units granted under the Plan may not exceed an amount equal to 10% of the number of shares of common stock outstanding at any time. Units credited to key employees amounted to 51,145 units at $15.87 per unit (as adjusted for Reorganization) in 1971 and 20,873 units at $14.78 per unit in 1972. The value per unit represents the fair market value at the date of award. Charges to income for estimated benefits earned under the Plan amounted to $86,000 in 1972 while there were no benefits earned in 1971.

HAZELTINE CORPORATION (DEC)

Long-Term Liabilities	
Provision for estimated deferred compensation (Note 11)	$894,141

Note 11: Retirement Plan and Deferred Compensation—Under the Retirement Plan for Employees of Ha-

zeltine Corporation and Subsidiary Companies, which covers all regular full-time employees 25 years or older who have completed one year of service, benefits are based on amounts paid into and accumulated in a trust fund for the account of each member, through Company contributions and optional employee contributions. The Plan is fully funded at all times. The Company's expenses for each year consist of the Company contributions for each member and administrative expenses, which amounted to $1,002,014 in 1972 and $905,719 in 1971.

The Company has employment contracts with certain individuals under which retirement benefits accrued during active service under those contracts prior to July 1, 1966. Amounts payable under essentially all of these contracts were fixed at that date. Benefits payable under these contracts are not funded and the estimated long-term liability for deferred compensation at December 31, 1972, if stated at present value, using 6% per year discount would be $682,000 as compared to the provision of $894,141 as shown in the accompanying balance sheet.

Stock Compensation Plans

BETHLEHEM STEEL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note H: Special Incentive Compensation Plan—Under the Special Incentive Compensation Plan in effect under Article Tenth of Bethlehem's Amended Certificate of Incorporation, certain executives receive special incentive compensation in the form of dividend units. The aggregate number of dividend units credited for any year is determined by dividing an amount equal to 2% of the consolidated net income for the year by the market value per share of Bethlehem Common Stock at the beginning of the year. Each dividend unit entitles the holder to receive cash payments equal to cash dividends paid on a share of Common Stock after the crediting of the unit and during his life, but in any event until the 15th anniversary of the termination, by death or otherwise, of his service with Bethlehem, subject to earlier termination in certain circumstances. The charges to expense for the Plan in 1972 and 1971 were $613,000 and $523,000, respectively.

HERCULES INCORPORATED (DEC)

Notes to Financial Statements

Note 6: Unit Incentive Plan—On March 21, 1972, the shareholders approved a Unit Incentive Plan. Under the plan, units may be granted to certain directors, officers, and key employes with a maximum aggregate number of 600,000 units outstanding at any one time. Units are credited to the grantee's account at the fair market value of an equal number of shares of common stock at the date the units are awarded. Benefits for each unit are measured by dividend equivalents and market appreciation of a share of common stock over a five-year period from date of award. Benefits vest and are payable five years after date of award.

During 1972, 24,905 units were awarded and income was charged with dividend equivalents and market appreciation amounting to $74,000.

INTERNATIONAL PAPER COMPANY (DEC)

Notes to Financial Statements

Incentive Plans—The Profit Improvement Plan was approved by the shareholders in 1972 to provide additional incentive for senior management officers and employees. Under the plan, contingent awards of shares of common stock are granted covering a three-year period by a committee composed of members of the board of directors who are not eligible for awards. Awards are earned in any year in which earnings per share, as defined, exceed the predetermined profit base. The percentage of an award earned depends on the percentage by which earnings per share exceed the predetermined profit base for that year, but may not exceed 33⅓ percent of the contingent award. A maximum of 750,000 shares of treasury common stock may be awarded under the plan which terminates in 1980. Awards may be paid in shares or in cash and may be paid in full or deferred. In 1972, three-year contingent awards covering 125,976 shares were made; 36,761 shares were earned under the awards.

The Incentive Compensation Plan was approved by the shareholders in 1966 and certain amendments were similarly approved in 1972. Participants include those employees who are in a position to make substantial contributions to the management of the company. Awards may be made in any year in which net earnings, as defined, exceed 6 percent of shareholders' equity but are limited to the lesser amount of 8 percent of such excess or 10 percent of the cash dividends declared. The awards may be in cash, payable immediately, or in treasury common shares, payable in the future.

The application of the formulas under the company's two incentive plans to 1972 net earnings resulted in a provision of $4,538,000, before taxes. No incentive compensation was earned in 1970 or 1971.

INSILCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 11: Performance Share Unit Plan—A Performance Share Unit Plan adopted in 1971 covering seventy-seven officers and key employees provides for awards based on the level of earnings per share (before extraordinary items) attained by the Company in relation to levels specified by the Board of Directors annually. The annual awards, which vest five years after date of grant or earlier on retirement, are converted into Units, each of which is equivalent to a share of the Company's common stock. Dividend equivalents on such Units are paid or converted into additional Units. Participants will receive at retirement the value of such Units in cash based on the average monthly market price of shares of the common stock over the 24-month period preceding the month of distribution. In 1972, $122,000 was accrued under the plan. No charge was required for 1971 under the terms of the plan.

PEPSICO, INC. (DEC)

Notes to Consolidated Financial Statements

Note 6 (in part): Capital stock and capital in excess of par value—PepsiCo shareholders, in 1972, approved the 1972 Performance Share Plan for key executive employees. The Performance Share Committee, appointed by the Board of Directors, may award up to 450,000 performance share units, each unit being equivalent to a share of PepsiCo capital stock. Units, once awarded, are earned only to the extent that PepsiCo achieves stated cumulative growth rates in net income per share over a four-year period. Payments to participants are to be made four years after the date of the award through issuance of PepsiCo capital stock or payment in cash, or combination thereof, as the Committee decides. During 1972, a total of 81,581 performance share units were awarded, all of which were outstanding at December 30, 1972. The cost of the awards made under the Plan is being charged to income ($2,351,000 pre-tax in 1972) over the applicable four-year period.

XEROX CORPORATION (DEC)

	1972	1971
	($ Thousands)	
SHAREHOLDERS' EQUITY		
Common stock, par value $1.00	$ 78,493	$ 78,050
Class B stock, par value $1.00	521	562
Additional paid-in capital	241,462	225,203
Retained earnings	967,623	786,351
Total	**1,288,099**	**1,090,166**
Deduct Class B stock receivables and deferrals	35,364	38,399
Total shareholders' equity	**$1,252,735**	**$1,051,767**

Notes to Consolidated Financial Statements

Stock Option and Restricted Stock Purchase Plans (in part)— 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 the offering is approved. 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; 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, at its option, 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 sales price, all shares still subject to restrictions.

During 1972, 3,700 shares of Class B stock were sold at an average price of $57.16 per share (6,700 shares were sold for an average price of $57.53 during 1971). In 1972, 19,205 shares (13,250 shares in 1971) were repurchased at the original sales price. During 1972, 11,455 shares of Class B stock on which the restrictions had lapsed were repurchased by the Company for $1,692,000 (5,375 shares for $620,000 during 1971), and 14,250 shares (5,977 shares in 1971) of Class B stock were exchanged by the Company for an equal number of shares of common stock. Repurchased shares of Class B stock are available for future offerings. The principal amount of outstanding notes due the Company by the participants amounted to $24,825,000 at December 31, 1972 ($26,686,000 at December 31, 1971). 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 the date the offering is approved 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 sale and ending with the year the last restrictions lapse.

Savings Plan

QUAKER STATE OIL REFINING CORPORATION (DEC)

Notes to Financial Statements

Note 6: See "Financial" for information with respect to (a) change in authorized Capital Stock and two-for-one stock split in 1972; (b) basis of reporting net income per share of Capital Stock; (c) acquisition of subsidiary; (d) term debt and related restrictions, including payment of cash dividends; (e) Company contribution to employee savings plan; (f) capitalized interest; and (g) litigation.

Financial

The Company contributes to a voluntary savings plan designed to encourage and assist employees in an investment program and to provide incentives to those employees by providing stock ownership in the Company. Under the plan, the Company makes regular monthly contributions equal *to 50% of the amounts invested by the participants.* The participant's contribution may, at his election, be up to 6% of his salary. The Company may make additional contributions based upon a formula measuring improvements in pre-tax income. Company contributions to this plan amounted to approximately $435,000 and $381,000 in 1972 and 1971, respectively.

DEPRECIATION

Paragraph five of *APB Opinion No. 12 stipulates* that both the amount of depreciation expense and method or methods of depreciation should be disclosed in the financial statements or in notes thereto. Paragraph five, Chapter 9C of *ARB No. 43* defines depreciation accounting (the process of allocating the cost of productive facilities over the expected useful lives of the facilities) as "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." If the depreciation methods used for tax purposes and, for financial statement reporting differ, *APB Opinion No. 11* requires that the income tax expense shown in a company's financial statements reflect the tax effects of such a difference.

Practices followed by the survey companies as to disclosure and description of depreciation expense, depreciation methods used for financial statement purposes, and depreciation methods used for income tax purposes are summarized in Table 3–11, Table 3–12, and Table 3–13, respectively. Examples of the aforementioned subjects follow. Addition examples of depreciation practices are also presented in the "Property, Plan, and Equipment" segment of Section 2 and in connection with Table 2–42.

TABLE 3-11: DEPRECIATION EXPENSE

Manner of Disclosure	**1972**	**1971**	**1970**	**1969**
Separate caption in income statement (*111,309,465)	231	241	264	270
Parenthetical matter within income statement (*174,293)	14	21	42	41
Note at bottom of income statement (*113,383,525)	10	22	36	40
Subtotal	**255**	**284**	**342**	**351**
Disclosed Only in Statement of Changes in Financial Position (*39,390,648)	253	176	106	79
Disclosed only in notes to financial statements (*72,144,660)	92	140	148	160
Not disclosed	--	--	4	10
Total Companies	**600**	**600**	**600**	**600**
Desciption of Provision				
Depreciation	293	292	302	300
Depreciation and amortization	202	202	181	170
Depreciation and depletion	46	50	52	51
Depreciation, depletion, and amortization	43	47	41	39
Other descriptions	16	9	20	30
Total Companies	**600**	**600**	**596**	**590**

*Refer to Company Appendix Section.

TABLE 3-12: DEPRECIATION AND DEPLETION POLICY

Method Used	**1972**	**1971**	**1970**	**1969**
Straight-line	565	545	531	534
Declining balance	73	77	74	90
Sum-of-the-years digits	52	51	53	56
Accelerated method-not specified	80	74	75	78
Unit of production	38	36	40	46
Other methods	1	1	3	10
Total Disclosures	**809**	**784**	**776**	**814**
Number of Companies				
Disclosing method	596	588	574	571
Not disclosing method	4	17	26	29
Total	**600**	**600**	**600**	**600**
Depletion method described	58	46	40	43

TABLE 3-13: DEPRECIATION REPORTED FOR TAX RETURNS

	1972	**1971**	**1970**	**1969**
Tax Provision Agrees With Statement Provision				
Method not indicated (*222,354,438)	54	65	57	86
Accelerated method (*278,524)	29	30	39	23
Straight-line method (*462,713)	16	18	24	16
Subtotal	**99**	**113**	**120**	**125**
Tax Provision Differs From Statement Provision				
Method not indicated (*81,263,450)	222	231	235	246
Accelerated method used for tax purposes (*198,223,453)	313	267	256	233
Other (*51,56)	2	10	7	14
Subtotal	**537**	**508**	**498**	**493**
Total Disclosures	636	621	618	618
Number of Companies				
Disclosing whether statement or tax method correspond	600	594	582	590
No indication	--	6	18	10
Total	**600**	**600**	**600**	**600**
Number of companies disclosing tax method for depletion	23	9	9	6

*Refer to Company Appendix Section.

Manner of Disclosure—Income Statement Caption

PET INCORPORATED (MAR)

COSTS AND EXPENSES:	
Cost of products sold	$573,428,193
Selling, general and administrative expenses	134,732,898
Depreciation	14,357,058
Interest expense	7,327,570
Provision for income taxes	19,025,000
	$748,870,719

Summary of Significant Accounting Policies

Property, Plant and Equipment—Land, buildings and equipment are carried at cost. Major renewals and betterments are charged to the property accounts while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently.

The company follows the policy of providing for depreciation of property, plant and equipment by charging against earnings amounts sufficient to amortize the cost of properties over their estimated useful lives (buildings—20 to 50 years: machinery and equipment—3 to 20 years). Depreciation is provided on the straight-line method for financial reporting purposes and on accelerated methods for tax purposes.

When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts, and any profit or loss on disposition is credited or charged to earnings.

Manner of Disclosure—Parenthetically Within Income Statement

ASSOCIATED PRODUCTS INC (MAY)

Cost of goods sold	$39,323,521
Advertising, selling, general and administrative expenses	14,551,406
Interest, including amortization of debt discount and expense	621,331
Total, including depreciation and amortization of $1,072,296	**$54,496,258**

Notes to Consolidated Financial Statements

Note 6 (in part): Property, Plant and Equipment—Depreciation on cost of buildings and appurtenances has been calculated on the straight line method and depreciation on cost of other depreciable property has been calculated on either the straight line, declining balance or sum of the years digits method. Leasehold improvements have been amortized over the related lease terms.

Higher accelerated depreciation for tax purposes is being taken for certain assets of a subsidiary of the Company while the straight line method is used for financial reporting purposes. Deferred income taxes have been provided for the difference in reporting such depreciation.

THE PARKER PEN COMPANY (FEB)

COST AND EXPENSES (including provision for depreciation of $1,410,331 in 1972 and $1,319,416 in 1971 computed principally on a straight line method):	
Cost of products sold	$36,375,997
Marketing, administrative and other expense	30,316,243
Interest expense	698,838
Total	**$67,391,078**

Manner of Disclosure—Bottom of Income Statement

GEO. A. HORMEL & COMPANY (OCT)

Sales, less returns and allowances	$719,755,110
Interest and other income	211,710
	719,966,820
Costs and expenses:	
Cost of products sold	632,162,317
Selling and delivery expenses	62,835,689
Administrative and general expenses	9,280,887
Interest	553,494
	704,832,387
Earnings Before Income Taxes	15,134,433
Provision for income taxes	7,346,000
Net Earnings (Per Share 1972—$1.63)	**$ 7,788,433**

Provision for depreciation under accelerated methods included in costs and expenses 1972—$6,417,415.

MERCK & CO., INC. (DEC)

INCOME	
Sales of products	$958,266,000
Other income	13,279,000
	971,545,000
COSTS AND EXPENSES	
Materials and production costs	327,462,000
Marketing, administrative, and research expenses	367,803,000
Other expenses	7,302,000
	702,567,000
Income Before Taxes	268,978,000
TAXES ON INCOME	
United States income taxes	91,785,000
Foreign income taxes	27,115,000
	118,900,000
MINORITY INTERESTS	2,522,000
Net Income	**$147,556,000**
Earnings per share of common stock	$1.99

Based on average shares outstanding.

The above statements include:

Research and development expenses	$ 79,665,000
Advertising expenses	43,379,000
Depreciation and obsolescence	35,638,000
Repairs, alterations, and maintenance	22,751,000
Taxes, other than taxes on income	22,704,000

Notes to Financial Statements

Property, Plant, and Equipment and Depreciation—property, plant, and equipment are carried at cost, and include expenditures which substantially increase the useful life of existing buildings and equipment. Maintenance and repairs, including the cost of replacing parts of machinery and equipment which do not extend the useful life of the completed unit, are charged to income.

The Company's general policy is to provide for depreciation of plant and equipment over estimated lives, principally by use of the sum-of-the-years-digits method, except for certain foreign and domestic subsidiaries which use the straight-line method. Tax depreciation, which uses accelerated methods and shorter lives for all assets where applicable, exceeded financial statement depreciation by $2,306,000 in 1972 and by $2,985,000 in 1971. Reported net income is not affected by the foregoing amounts because of the use of deferred tax accounting.

Manner of Disclosure—Statement of Changes in Financial Position

BURROUGHS CORPORATION (DEC)

WORKING CAPITAL WAS PROVIDED BY	
Net income	$ 87,540,841
Charges (credits) not affecting working capital–	
Depreciation	115,662,381
Installment accounts due after one year	(33,603,503)
Other	33,004,036
Working capital provided from operations	**$202,603,755**

Summary of Significant Accounting Policies

Depreciation—Plant, rental equipment and other property is depreciated over the estimated lives of such assets using the straight-line method, except for tools, dies and fixtures which are depreciated by the declining-balance method. Depreciation rates are as follows:

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

SAFEWAY STORES, INCORPORATED (DEC)

FUNDS PROVIDED:	
Net income	$ 91,055,872
Add charges (credits) to income not requiring funds:	
Depreciation and amortization	62,890,873
Increase in reserve for self-insurance	1,336,763
(Gain) loss on disposition of property	(133,383)
Increase (decrease) in deferred income taxes	5,403,204
Total from operations	**$160,553,329**

Summary of Accounting Policies

Depreciation—Depreciation is computed for financial report purposes on the straight-line method, which means that approximately equal amounts of depreciation are charged against operations each year during the useful life of each item or category of buildings, improvements or equipment. For tax purposes accelerated methods are used for depreciation.

The following are the principal rates of depreciation used for financial purposes during the year:

Store, warehouse and other buildings	2½-5%
Building equipment	5-10%
Furniture, fixtures and equipment	5-20%
Automotive equipment	12½-16⅔%
Installation costs	6⅔-16⅔%

Leasehold improvements include buildings constructed on leased land and improvements to leased buildings. Such buildings and major improvements are amortized over the remaining period of the lease or the normal life of the buildings, whichever is less, and lesser improvements are amortized over the period of the lease or six years, whichever is shorter.

Manner of Disclosure—Notes to Financial Statements

AMERADA HESS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Depreciation—Depreciation is provided on a straight-line basis, except for depreciation of oil and gas production equipment in the United States and Canada, which is determined under the unit-of-production method. For income tax purposes, wherever advantageous, accelerated methods are used and an appropriate provision is made to give effect to deferred income taxes arising therefrom. Depreciation charges amounted to $50,406,000 in 1972 and $43,303,000 in 1971.

COPPERWELD STEEL COMPANY (DEC)

Financial Review (Page 12)

Depreciation and Income Taxes—The provision for depreciation in 1972 was $4,910,113, compared with $3,671,164 in 1971. In both years the Company used the "straight-line" method of computing depreciation. This method allocates depreciation equally over the estimated life of the asset.

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

The Federal income tax laws have provided an investment credit which, in general, is equal to 7 per cent of the cost of qualified assets acquired. The Company consistently follows the practice of treating the investment credit as a reduction in income taxes applicable to the income of the year in which the credit arises. The investment credit in 1972 was $145,727, equal to $.06 a share, compared with $42,654, equal to $.02 a share, in the prior year.

Straight Line Method

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

Consolidated Statements of Changes in Financial Position

	($ thousands)
SOURCE OF FUNDS:	
Net earnings	$26,610
Depreciation	8,641
Increase in deferred income taxes	1,802
Total from Operations	**$37,053**

Notes to Financial Statements

Note A (in part): Depreciation and Deferred Income Taxes—Depreciation is provided generally on the straight-line method in an amount which will amortize the cost of the property, plant and equipment (except for estimated salvage value on certain machinery and equipment) over the period of its estimated life. Generally the rates range from 2% to 5% on buildings, 5% to 15% on machinery and equipment and 33% for tooling. In 1971 the policy was changed (with immaterial effect on the results of operations) to capitalize and depreciate all expenditures for tooling over expected useful lives not to exceed three years rather than to charge certain expenditures for tooling to operations as had been the prior practice. Differences between the carrying amount of items of property, plant and equipment and the amount realized upon disposal of such assets are charged or credited to income for the year. Expenditures for maintenance and repairs are charged to operations, while renewals and betterments are capitalized.

Deferred income taxes have been provided to recognize the effect ot timing differences arising from the use of accelerated depreciation methods for certain assets for income tax purposes.

JOSLYN MFG. AND SUPPLY CO. (DEC)

Consolidated Statement of Changes in Financial Position

SOURCE OF FUNDS:	
From Operations—	
Net income	$4,229,643
Add—Expenses not requiring current outlay of funds	
Depreciation (Note 1)	2,638,480
Deferred taxes	211,000
Total	**$7,079,123**

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Plant and Equipment—Plant and equipment are stated at cost and include expenditures for new facilities and for significant renewals and betterments. Expenditures for maintenance and repairs are charged to costs and expenses as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

Following changes in depreciation policy during 1969, 1970 and 1971, the Company now uses the straight-line method rather than the double declining method for depreciating new assets. However, most assets acquired prior to 1969 and certain assets acquired in 1970 are currently depreciated using the double declining method. Both methods are based on the use of the following asset lives:

Building and Building Improvements	5 to 50 years
Machinery and Equipment	3 to 20 years

Had the Company continued to use accelerated methods of computing depreciation, the depreciation provision for 1972 would have been approximately $530,000 higher, net income would have been approximately $225,000 lower and net income per share would have been approximately $.09 per share lower.

SEARS, ROEBUCK AND CO.

Statement of Changes in Financial Position

	($ Thousands)
SOURCE OF WORKING CAPITAL	
Net income	$621,812
Depreciation	119,840
Deferred income taxes	18,243
Stock issued to Profit Sharing Fund	19,997
Undistributed net income of unconsolidated subsidiaries	(153,295)
From operations	**$626,597**

Statement of Accounting Policies

Property and depreciation—The Company provides depreciation by the straight-line and accelerated methods for additions prior to 1968. The straight-line method is used for subsequent additions. The estimated useful lives for depreciation purposes are:

Building and improvements:	
Retail and catalog	40 to 50 years
Warehouses	40 years
Parking space	10 to 20 years
Furniture and fixtures	10 years
Transportation equipment	3 to 8 years

Declining-Balance Method

BOND INDUSTRIES, INC. (JUL)

Consolidated Statements of Operations and Retained Earnings

COSTS AND EXPENSES:	
Cost of goods sold, including occupancy, buying and alteration costs	$65,306,588
Stores and general and administrative expenses	27,867,863
Depreciation and amortization	1,262,242
Other-net, principally interest	297,082
	$94,733,775

Notes to Financial Statements

Note A (in part): Summary of Significant Accounting Policies—Depreciation and amortization are provided for principally on the double-declining balance method; the rates used are based on the estimated useful lives of the respective classes of assets or the terms of the related leases.

O'SULLIVAN CORPORATION (DEC)

Notes to Financial Statements

Note (in part): Property, Plant and Equipment— Property, plant and equipment are depreciated principally by the declining balance method based on the estimated useful life of the asset. Depreciation charges were $518,334 in 1972 and $443,400 in 1971. Costs of additions and major improvements are capitalized and expenditures for maintenance and repairs are expensed. When property or equipment is retired or sold, any gain or loss on the transaction is reflected in the current year's income.

ZENITH RADIO CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

WORKING CAPITAL PROVIDED:	(000)
Income before extraordinary items	$48.579
Provision for depreciation	11.313
Working capital provided from operations	**$59,892**

Notes to Consolidated Financial Statements

Property, Plant and Equipment—Depreciation of plant and equipment is computed principally using the declining-balance method over the estimated useful lives of the assets.

The cost and related reserves for depreciation of properties retired or sold are removed from the accounts, and gains or losses are included in the statement of consolidated income.

Sum-Of-The-Years-Digits Method

ANHEUSER-BUSCH, INCORPORATED (DEC)

Summary of Accounting Principles and Policies

Plant and Equipment—Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

The Company provides for depreciation of plant and equipment on methods and at rates designed to amortize the cost of such equipment over its useful life. 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.

A portion of the land held by the Company is for investment purposes and is not an integral part of the Company's primary operations. This land has been classified in the balance sheet as investment properties.

Notes to Consolidated Financial Statements

Note 6: Depreciation—The provision for depreciation amounted to $38,970,000 in 1972 and $34,948,000 in 1971.

CATERPILLAR TRACTOR CO. (DEC)

Consolidated Results of Operations

COSTS:	($ Millions)
Depreciation (portion of original cost of buildings, machinery and equipment allocated to operations)	$100.8

Notes to Financial Statements

Note 1 (in part): Depreciation—Depreciation is computed principally using accelerated methods ("sum-of-the-years digits" and "declining balance") for both income tax and financial reporting purposes. These methods result 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. If the straight-line method had always been in use, "Buildings, machinery and equipment—net" would have been $181.9 million and $170.3 million higher than reported at December 31, 1972 and December 31, 1971, *respectively, and depreciation expense for 1972 and 1971 would have been, respectively, $12.4 million less and $13.6 million less.*

For financial reporting purposes the depreciation rates used worldwide are principally based on the "guideline" lives established by the U.S. Internal Revenue Service. For income tax purposes the depreciation rates used are principally based on the "guideline" lives for assets acquired prior to 1971 and on the Class Life System for additions after 1970.

When an asset becomes fully depreciated, its cost is eliminated from both the asset and the accumulated depreciation accounts. In accordance with this policy, $177.9 million and $3.7 million of fully depreciated assets were so eliminated in 1972 and 1971, respectively.

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 could have been made on the basis of current replacement price levels.

GENERAL ELECTRIC COMPANY (DEC)

1972 Financial Summary

Depreciation amounted to $314.3 million in 1972 and $273.6 million in 1971.

An accelerated depreciation method, based principally on a sum-of-the-years digits formula, is used to depreciate plant and equipment in the United States purchased in 1961 and subsequently. Assets purchased prior to 1961, and most assets outside the U.S., are depreciated on a straight-line basis. Special depreciation is provided where equipment may be subject to abnormal economic conditions or obsolescence.

THE SPERRY AND HUTCHINSON COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

SOURCES OF WORKING CAPITAL

	(000)
Net earnings	$39,390
Items entering into determination of earnings not affecting working capital	
Depreciation and amortization	9,141
Earnings of unconsolidated subsidiaries, less dividends of $332 and $241	(3,832)
Working capital provided from earnings	**$44,699**

Notes to Consolidated Financial Statements

Note 1 (in part): Property and Depreciation—Property, improvements and equipment are stated at cost. Depreciation is provided principally on the sum-of-the-years digits method, except for certain subsidiaries that use the straight-line and declining-balance methods, over the estimated useful lives of the related assets. Leasehold improvements are being amortized over the lease periods or useful lives of the improvements.

Sinking Fund Method

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

Statement of Consolidated Income

COSTS AND EXPENSES	
Depreciation (Note 1)	$32,555,000

Note 1 (in part): Depreciation—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 (a method which creates a leveling effect over the life of the asset of its combined depreciation and related interest expense) 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.

Unit of Production Method

HERCULES INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	($ thousands)
SOURCE OF FUNDS	
Operations	
Net income	$70,426
Depreciation and amortization	62,196

Summary of Significant Accounting Policies

Property and Depreciation—Property, plant and equipment are stated at cost. For financial accounting purposes Hercules depreciates the major portion of its processing facilities over their estimated remaining 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 facilities of consolidated subsidiaries are depreciated or amortized principally on the straight-line method.

Maintenance, repairs, and minor renewals are charged to income; major renewals and betterments are capitalized. Upon normal retirement or replacement, the cost of property (less proceeds of sale of salvage) is charged to accumulated depreciation.

MARATHON OIL COMPANY (DEC)

Statements of Consolidated Income

COSTS AND EXPENSES	
Purchased crude oil, petroleum products and merchandise	$ 610,601,000
Operating, selling and general expenses	244,845,000
Taxes, including taxes on income	207,428,000
Depletion and depreciation	91,364,000
Lease amortization	4,312,000
Exploration, lease rentals and nonproductive well costs	28,556,000
Interest and debt expense	24,185,000
Total Costs and Expenses	**$1,211,291,000**

Notes to Consolidated Financial Statements

Note A (in part): Depletion, Depreciation and Amortization—Depletion and depreciation of producing properties are computed at rates applied to the units of production on the basis of estimated recoverable oil and gas as determined by geologists and engineers of the Company. The costs of certain undeveloped properties are amortized over projected holding periods. Other items of property, plant and equipment are depreciated principally by the straight-line method.

Depletion

THE BENDIX CORPORATION (SEP)

Basis of Financial Statements

Timber and Timberlands—Depletion of timber is provided on footages removed at rates based on estimated recoverable timber in each tract. Such depletion is credited directly to the assets accounts.

Notes to Consolidated Financial Statements

Timber and Timberlands—The provision for depletion of timber and timberlands was $1.5 million and $1.1 million for 1972 and 1971, respectively.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

Statement of Changes in Consolidated Financial Position

SOURCE OF FUNDS	
From operations:	
Income before extraordinary items	$16,595,000
Charges to operations not requiring current outlays of working capital:	
Depreciation and depletion	3,331,000
Deferred income taxes—noncurrent portion, excluding $335,000 credit included in extraordinary items	645,000
Depreciation and depletion of certain associates	2,621,000
Total from operations, excluding extraordinary items	**$23,192,000**

Notes to Financial Statements

Note A: Properties, Depreciation, and Depletion—Depreciation of plant and equipment is computed principally by the straight-line method. Depletion of mineral lands, owned in fee or under lease, is computed using the units-of-production method based upon related estimated recoverable ore reserves. Financing costs of borrowings for construction of facilities are capitalized during the construction period.

HUDSON PULP & PAPER CORP. (DEC)

Consolidated Statements of Changes in Financial Position

FUNDS PROVIDED BY:	
Income before extraordinary charge	$2,004,718
Charges (credit) to income not affecting funds:	
Depreciation and depletion	5,683,299
Deferred Federal income taxes	(142,000)
Total from operations exclusive of extraordinary charge	**$7,546,017**

Notes to Financial Statements

Summary of Significant Accounting Policies (in part): Depreciation and Depletion—Fixed assets, stated at cost, are depreciated over their estimated useful lives by the straight-line method. The portion of the cost of timber resources attributed to standing timber is charged to income as timber is cut at rates based on the relationship of unamortized timber costs to the estimated volume of recoverable timber.

INTERNATIONAL PAPER COMPANY (DEC)

Consolidated Statements of Earnings and Retained Earnings

	($ thousands)
COSTS AND EXPENSES:	
Cost of products sold	$1,514,337
Distribution expense	156,719
Selling and administrative expenses	133,761
Depreciation	98,162
Cost of timber harvested	14,297
Interest	37,772
	$1,955,048

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The phrase "cost of timber harvested" has replaced the accounting term "depletion." As applied to timber operations, this cost represents recovery of the capital investment in the timberlands. The new phrase is more descriptive since the forest is a renewable resource rather than an exhaustible asset.

Notes to Financial Statements

Timberlands are stated at cost, less cost of timber harvested. The portion of the cost of timberlands attributed to standing timber is charged against income as timber is cut, at rates determined annually, based on the relationship of unamortized timber costs to the estimated volume of recoverable timber. The costs of roads, park developments and other land improvements are capitalized and amortized over their economic life.

Depreciation Rate

CELANESE CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	(millions) 1972	1971
INCREASE/(DECREASE) IN WORKING CAPITAL:		
Income before extraordinary items	$ 51.2	$ 59.3
Items not affecting working capital:		
Depreciation, depletion and amortization .	131.2	115.5
Income taxes and investment tax credit deferred	3.8	15.9
Minority interest	4.9	7.0
Equity in undistributed income of affiliates	(5.3)	(3.9)
Working capital provided from operations	**$185.8**	**$193.8**

Principles Reflected in Financial Statements

Property, Plant and Equipment, Depreciation and Maintenance and Repairs—Property, plant and equipment includes the cost of land, buildings, equipment, and significant improvements of existing plant and equipment.

Additions, improvements, renewals and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance are charged to income.

Depreciation, depletion and amortization are generally provided over the estimated useful lives of the depreciable assets, or asset groups, by application of composite rates on the straight-line method.

When facilities are retired or otherwise disposed of in the normal course of business, the cost is removed from the asset accounts and charged or credited, after the application of the sales or other salvage realization, to the related accumulated depreciation account. Dismantling and demolition costs are also charged to the related accumulated depreciation account. Accumulated depreciation is deemed adequate to provide for all losses on abandonment or retirement of facilities.

Notes to Consolidated Financial Statements

Property, Plant and Equipment, Depreciation Rates and Maintenance and Repairs (1968-1970 Amounts Omitted for Presentation Purposes)

	(millions) Assets at cost		Depreciation rates	
	1972	**1971**	**1972**	**1971**
Machinery and equipment	$1,453.2	$1,340.9	8.3%	7.9%
Buildings and improvements	313.8	300.8	3.6	3.3
Transportation equipment	38.2	35.9	5.6	7.2
Furniture and fixtures	21.5	21.2	8.3	7.6
Other assets	14.6	11.9	10.9	6.0
Sub-total	**1,841.3**	**1.710.7**	**7.5%**	**7.1%**
Land	17.4	17.8		
Construction in progress	65.3	104.6		
Total	**$1,924.0**	**$1,833.1**		
Expenditures for maintenance and repairs	$ 52.9	$ 49.4		

COMMERCIAL SOLVENTS CORPORATION (DEC)

Consolidated Earnings and Earnings Retained in Business

COSTS AND EXPENSES	
Cost of sales	$ 82,255,105
Selling, research and administrative expenses	18,987,964
Depreciation, depletion and amortization	6,400,177
Interest on borrowings	986,315
	$108,629,561

Notes to Financial Statements

Summary of Accounting Policies (in part): Property, Plant and Equipment—Depreciation and amortization of plant facilities has been provided on the straight-line method. The estimated lives used in calculating such depreciation and amortization were as follows:

Buildings	5 to 50 years
Equipment	3 to 33¼ years
Office furniture	5 to 15 years
Leasehold improvements	Over life of lease
Gathering lines and field equipment	15 years

Depletion of gas and gas rights and depreciation of gas wells have been provided on the unit-of-production method over the estimated recoverable reserves.

It has been the policy of the Company to charge to expense the cost of maintenance, repairs and minor renewals. Whenever any major item of equipment is purchased as a replacement, the cost is capitalized and the property, plant and equipment and accumulated depreciation and amortization accounts are adjusted for the equipment replaced. Upon sale or retirement of property, plant and equipment, the cost and accumulated depreciation, depletion and amortization are removed from the respective accounts and any gain or loss is included in income for the year.

GRANGER ASSOCIATES (AUG)

Notes to Financial Statements

Note 2: Plant and Equipment—Plant and equipment are stated at cost. Depreciation is calculated by the straight-line method based on the following estimated useful lives:

Leasehold improvements	Useful life or lease-term, whichever is shorter
Electronic test equiment	8 years
Machinery and shop equipment	12 years
Furniture and office equipment	10 years
Tooling and dies	6 years
Demonstration equipment	6 years

The provisions for depreciation included in costs and expenses were as follows:

	1972	1971
For continuing operations	$78,633	76,036
For discontinued operations	– – –	53,336
	$78,633	**129,372**

Annual rentals for the Granger Associates Limited facility in England amount to $36,151 through June 14, 1986.

MSL INDUSTRIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

SOURCE OF WORKING CAPITAL:	
Net earnings before extraordinary items	$4,962,000
Depreciation and amortization	2,500,000
Working capital provided from operations, exclusive of extraordinary items	**$7,462,000**

Statement of Accounting Policies

Depreciation and Amortization—Depreciation and amortization are recorded for financial statement purposes principally on a straight line basis over the estimated useful lives of the assets. Rates used are: buildings and building improvements, 2%-10%; machinery and equipment, 5%-33⅓%; furniture and fixtures, 6%-25%; automobiles and trucks, 10%-50%; leasehold improvements, term of lease.

Maintenace 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 property and equipment accounts, accumulated depreciation is removed from the related reserves, and the net gain or loss is credited or charged to income.

THE STANDARD REGISTER COMPANY (DEC)

Notes to Financial Statements

Note 3: Plant and Equipment—Plant and equipment are carried at cost less accumulated depreciation. Depreciation and amortization, computed on the straight-line basis for financial reporting purposes, amounted to $3,782,365 in 1972 ($3,545,444 in 1971). Depreciation rates are based on reasonable estimates of useful lives:

Classification	Annual Rate
Buildings and improvements	2½ – 5%
Machinery and equipment	6⅔ – 16⅔%
Office equipment	6⅔ – 16⅔%
Automobiles and trucks	25%
Rental equipment	33⅓%
Leasehold improvements	Life of Leases

Maintenance and repairs are charged as expense when incurred. Replacements and improvements are capitalized and depreciated over their estimated useful lives. When equipment is retired or has been fully depreciated, its cost and the related accumulated depreciation are eliminated from the respective accounts, and gains or losses arising from the disposition are reflected in income.

In June and July of 1972, the Oakland plant along with approximately four acres of land was sold for $584,000 which resulted in a gain of $235,904 before income tax. Applicable federal tax at the capital gains rate is $70,771. The net gain of $165,133 is classified as extraordinary income in 1972.

USM CORPORATION (FEB)

Notes to Consolidated Financial Statements

Note E: Depreciation Policy—Depreciation charged to continuing operations amounted to $20,335,000 in 1972 and $19,172,000 in 1971.

The company provides allowances for depreciation of plant properties and leased machinery by periodic charges to income which are sufficient to write off the cost of assets over their estimated useful lives. Provisions for depreciation are calculated on a straight-line basis over the following estimated useful lives: buildings, 45 years; manufacturing machinery, tools and equipment, 12½ years; furniture, fixtures and office mechanical appliances, 10 years; vehicles, 3 years; and leased machinery, 6½ – 8 years. Accelerated depreciation methods are used for tax purposes by international subsidiaries. In fiscal 1972, the parent company and its domestic subsidiaries changed from accelerated depreciation methods to the straight-line depreciation method for tax purposes.

Expenditures for replacement of leased machinery are charged to income by certain international subsidiaries. Some subsidiaries credit depreciation provisions directly to the asset accounts.

With the exception stated in the following paragraph, the cost of assets disposed of and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to income. Maintenance, repairs and minor renewals and betterments are charged to expense as incurred; major alterations are capitalized.

In the parent company, the cost of machines returned by lessees is removed from the asset account and charged to accumulated depreciation. Estimated salvage value of parts recovered is credited to income, and income is charged with the cost incurred in dismantling machines returned from lease and with the cost of parts on hand which have become obsolete.

Tax Depreciation Differs From Depreciation Expense Shown in Financial Statements

ALBERTSON'S, INC. (JAN)

Summary of Significant Accounting Policies

Taxes on Income—The Company provides for deferred income taxes resulting from timing differences in reporting certain income and expense items for income tax and financial purposes. The major timing differences arise from the use of an accelerated depreciation method for equipment and the deduction of deferred costs when incurred for tax purposes. The resulting reduction in the current tax liability does not affect earnings since taxes on income include an equivalent amount of deferred income taxes.

The investment credit is amortized over the useful life of the related asset.

Notes to Consolidated Financial Statements

Taxes on Income—Taxes on income consist of the following:

	($ Thousands)	
	53 Weeks Ended Feb 3, 1973	52 Weeks Ended Apr 1, 1972
Currently payable	$6,404	$5,174
Deferred, net	127	394
Investment credit	524	343
Amortization of deferred investment credit	(294)	(244)
	$6,761	**$5,667**

BURNDY CORPORATION (DEC)

Notes to Financial Statements

Note 7 (in part): Income Taxes—The Company's effective income tax rate is less than the United States federal statutory rate principally due to the earnings of European subsidiaries being taxed locally at rates generally lower than those prevailing in the United States, the reduction of the income tax provision resulting from the investment tax credit, and certain foreign source income taxed as capital gains.

The provision for federal, state and foreign income taxes is classified into the current and deferred portions as follows:

	1972	
	Current	Deferred
Federal	$2,176,485	$282,779
Foreign	1,078,054	(224,607)
State	314,570	---
	$3,569,109	**$ 58,172**
	1971	
	Current	Deferred
Federal	$1,463,470	$280,762
Foreign	956,265	(9,900)
State	268,400	---
	$2,688,135	**$270,862**

Deferred income taxes principally represent the income tax effect on the difference in depreciation computed on the sum of the years digits-method for tax purposes and the straight-line method for financial statement reporting.

LA MAUR INC. (DEC)

Notes to Consolidated Financial Statements
Note C: Property, plant and equipment, at cost—

	December 31,	
	1972	**1971**
Land and land improvements	$ 529,245	$ 528,985
Building and building systems	4,044,273	4,028,321
Machinery and other equipment	3,470,401	3,296,651
	8,043,919	**7,853,957**
Less accumulated depreciation and amortization	1,585,386	1,192,418
	$6,458,533	**$6,661,539**

For machinery and other equipment acquired prior to 1969, depreciation is generally computed on the sum of the years-digits method, based on the estimated useful lives of the assets. For depreciable property acquired after December 31, 1968, the straight-line method is used for financial reporting purposes and the sum of the years-digits method is used for tax purposes.

Note D: Federal and state income taxes—The provision for income taxes is composed of the following:

Current	$ 997,000
Deferred	162,000
	$1,159,000

Deferred income taxes result principally from the excess of tax depreciation over book depreciation (Note C), interest on a temporary construction loan capitalized for financial reporting purposes but deducted for tax purposes, and from the use, for income tax purposes only, of the installment method of reporting income from installment sales (Note A).

The Company uses the flow-through method of accounting for the investment credit; the amount of such investment credit is insignificant.

SAV-A-STOP INCORPORATED (AUG)

Summary of Accounting Policies

Property, Plant and Equipment—Depreciation on buildings, furniture, fixtures, machinery and equipment is provided principally by the straight-line method over the estimated useful lives of the assets. Amortization of improvements to leased premises is provided by the straight-line method over the estimated useful lives of the assets or periods of the leases, whichever is less.

Deferred Federal income taxes arise from the Company's policy of providing depreciation on certain classes of equipment by using the declining balance method for tax purposes while the straight-line method is used for financial statement purposes. Included in income taxes on the accompanying statement of consolidated earnings is $127,000 of deferred Federal income taxes which is attributable to such policy.

VARIAN ASSOCIATES (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Taxes on Income—Deferred taxes on income primarily arise from use of accelerated depreciation methods, charges to income not presently deductible for tax purposes and tax effects of losses of subsidiary companies (not in excess of deferred tax credits reversing during the carry-forward periods). Other deferred taxes relate to amortization of patents on the straight-line method for financial reporting purposes and current deductions of costs incurred for tax purposes.

Investment tax credits are recognized as a reduction in taxes on income over the estimated useful life of the related assets for financial reporting purposes.

Certain subsidiaries have not provided taxes on undistributed earnings under Export Trade Corporation and Domestic International Sales Corporation provisions of Federal Income Tax laws. The undistributed earnings of these subsidiaries may be subject to income and other taxes (reduced by tax paid credits, if any) if and when distributed. Management intends to continue to reinvest the undistributed earnings of these subsidiaries.

Note 5 (in part): Taxes on Income—The detail of taxes on income is as follows:

	($ Thousands)	
	1972	**1971**
Domestic taxes on income. currently payable (refundable)	$1.916	(4.463)
Foreign taxes on income. currently payable	696	877
Deferred taxes on income	(759)	(2.683)
	1,853	**(6,269)**
Charge equivalent to reduction in income taxes related to investment tax credit, less amortization	(20)	(188)
	1,833	**(6,457)**
Tax recovery related to extraordinary items	917	2.165
	$2,750	**(4,292)**

SOCIAL AWARENESS EXPENDITURES

Table 3–14 shows social awareness expenditures made by the survey companies. Expenditures at plant sites which were in the interest of preserving the environment were not included in this 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 follow.

ABBOTT LABORATORIES

Citizenship and Social Action (Page 21)

Help for Worthy Projects—Abbott donated $225,000 toward a youth center in North Chicago, which will offer facilities for arts and crafts, recreation, and club meetings. The company also contributed $50,000 toward a new system of drug education in Hinsdale, Illinois. The education center will teach the proper use of medicine to up to 120,000 Chicago-area students a year.

In 1972 Abbott continued aggressive affirmative action in employment, and showed solid results in the employment and promotion of qualified minorities and women.

The company seeks to provide a climate of opportunity, self-realization and individual responsibility. Its people have responded with high levels of performance, loyalty and remarkable dedication.

TABLE 3-14: SOCIAL AWARENESS EXPENDITURES

	1972	1971	1970	1969
Expenditures for:				
Assistance to educational institutions	43	40	35	28
Grants to hospitals, health and other community related activities	38	29	28	19
Aid to unemployed and related programs	32	41	65	73
Aid to minority groups or enterprises	24	23	14	N/C
Contributions to charitable foundations	22	21	19	21
Assistance in urban development	9	6	15	N/C
Other	31	22	16	8
Total Disclosures	**199**	**182**	**191**	**149**
Number of Companies:				
Disclosing expenditures for above purposes	101	100	105	102
Not disclosing such expenditures	499	500	495	498
Total	**600**	**600**	**600**	**600**

N/C—Not compiled.

CHRYSLER CORPORATION (DEC)

Equal Opportunity Programs (Page 16)

Chrysler Corporation pursues programs of affirmative action to assure equal opportunity for all applicants for employment and for employees, without regard to race, creed, color, sex, national origin and age. This commitment is part of extensive company-wide programs to select, develop, train and provide upward mobility for employees.

The success of these programs is reflected by the fact that 27% of Chrysler's United States employment are minority employees. This compares with 12.6% ten years ago.

Since 1970, Chrysler Corporation has hired more than 16,000 disadvantaged persons, nearly 6,000 of them in 1972.

The company participates in the National Alliance of Businessmen's (NAB) Pledge Campaign for Veterans, Summer Youth and Disadvantaged Adults, and the NAB/JOBS Job Orientation and Training Program.

The company, through other programs, conducted training and hiring programs for the physically disabled. In 1972, it began a second class in automobile body repair for deaf people. In cooperation with its dealers, the company also initiated a 32-week program in auto repair services for nearly 200 disadvantaged individuals during 1972.

The company visits and counsels high schools with predominantly black students and includes in its college recruiting program recruitment of graduates of predominantly black colleges throughout the country.

During 1972, Chrysler Realty Corporation launched a joint venture with an inner city Detroit church group for the development of 450 housing units for low to moderate-income individuals.

The company advises and counsels minority vendors and purchases a broad range of products and services from minority owned companies. In addition, Chrysler uses three minority owned insurance companies and 48 minority owned banks. During 1972, Chrysler invested in PRIME, Inc., a minority enterprise small business investment company (MESBIC).

At the end of 1972, the company had 22 minority automotive dealers and 14 minority MoPar jobbers.

GENERAL MILLS, INC. (MAY)

Service to Society (Page 12)

Service to society is another sphere of expanding importance in today's changing world. During fiscal 1972, General Mills sought to fulfill in increased measure its responsibilities as a corporate citizen.

Contributions to the General Mills Foundation, gifts by the company and subsidiaries and costs of direct programs for worthwhile causes totaled $1,857,000, an increase of $550,000 over the previous year.

In its 18th year, the Betty Crocker Search for the American Homemaker of Tomorrow enrolled a record number of 650,200 high school senior girls. Since 1954, more than 8,300,000 young women have participated; 1,766 have earned scholarships totalling nearly two million dollars. During the school year 1972-73, the program will be open to boys as well as girls, helping schools prepare an increased number of young people for their future responsibilities in the nation's homes.

Beyond monetary grants and scholarships, General Mills and its subsidiaries are active with a wide range of socially oriented programs too numerous to list. Examples are the company's continuing participation in the National Alliance of Businessmen's summer jobs program for the disadvantaged; the Lincoln Learning Center, a school in Minneapolis for junior high school youth who have rejected conventional classroom teaching; a program to hire and train released convicts, helping them adjust to civilian life; Diversified Office Training and Vocation-Occupation Training Programs sponsored by the school system of Columbus, Ga., home of Tom's Foods Ltd.; and an Explorer Post of the Boy Scouts offering specialized training in data processing in The Gorton Corporation's headquarters city of Gloucester, Mass.

GENERAL MOTORS CORPORATION (DEC)

Review of Operations (Page 13)

Charitable Contributions and Aid to Education— General Motors believes that it has an obligation to make reasonable monetary contributions to local charitable, educational and community organizations in areas where it operates. Contributions other than for education are generally related to the size and employment of GM's operations in each particular locality. Nationally, General Motors contributes to organizations to which, as a large industrial enterprise, its participation would be appropriate.

During 1972, contributions to charitable organizations totaled $8.8 million. Many of these contributions were made to organizations working to stimulate economic opportunity and racial equality and to provide employment and housing for disadvantaged people. Nearly 90% of this total was donated to local organizations such as community funds, family-service groups, hospitals, youth organizations and minority-related groups in cities where GM has operations.

Financial aid to education by General Motors in 1972 totaled $8.6 million. This amount included $3.5 million of property and products donated by the Corporation to educational institutions. The balance consisted of the General Motors Scholarship Programs; funding for cooperative education programs in minority colleges; a Graduate Fellowship Program for selected employes with high potential as well as individuals who held GM scholarships as undergraduates; research and engineering grants to universities and technical institutions; contributions to major university fund campaigns and support of special education projects.

The GM Scholarship Program is now benefiting 864 students in colleges and universities in the United States.

HERCULES INCORPORATED (DEC)

Pollution Abatement (Page 6)

In 1972, $6 million was spent on pollution abatement projects. Approximately two-thirds of this was for water and one-third for air control. It is estimated that the annual operating costs of the pollution control facilities, which have been installed in the past five to ten years, will be in excess of $5 million in 1973.

Control of water and air pollution is an integral part of Hercules' overall planning. In 1967, a corporate environmental policy was formalized and an Environmental Health Committee established to assist the operating departments in fulfilling the corporate objectives to comply with all quality standards for air and water.

A three-year development and construction program was concluded in 1972 at the Parlin, New Jersey, plant with the start-up of oil-burning boiler equipment eliminating particulate emissions and smoke, together with a complex combustion unit to reduce the emission of oxides of nitrogen to the atmosphere. The Brunswick, Georgia, plant has completed the installation of wastewater-treatment facilities that reduce to a minimum the discharge of pollutant materials into the Georgia coastal waters. Also in 1972, the Lake Charles, Louisiana, plant started up facilities, bringing the plant effluent into compliance with water-pollution control rules and regulations and protecting the aquatic life in the Calcasieu River. In late 1972, the Savannah, Georgia, plant completed installation of a pollution abatement system reducing discharge into the Savannah River.

All Hercules plants either are in compliance with present air- and water-pollution control rules and regulations, are designing and constructing pollution control facilities, or are working on compliance schedules with appropriate regulatory authorities.

HUDSON PULP & PAPER CORP. (DEC)

Consolidated Statements of Income and Retained Earnings

COSTS AND EXPENSES–NOTE D	
Cost of goods sold	$71,896,191
Selling, distributing, general and administrative	19,427,512
Interest	1,871,146
Other deductions	75,999
Federal income taxes	
Current	855,000
Deferred	(142,000)
	$93,983,848

Note D: Income and Expenses—Other income for the year ended December 31, 1971 includes approximately $160,000 received in settlement of litigation.

The Company contributed for eleemosynary purposes approximately 5% of its net taxable income. Contributions amounted to approximately $126,000 (1972) and $63,000 (1971), of which approximately $90,000 (1972) and $8,000 (1971) were made to The Abraham Mazer Family Fund, Inc., a nonprofit philanthropic corporation.

LOUISVILLE CEMENT COMPANY (DEC)

Profits and Capital Expenditures for Pollution Control (Page 10)

The capital expenditure programs for 1972, 1973, and 1974 require some elaboration and explanation. Although there are always some expenditures required for the usual and constant rehabilitation of the plants, the large expenditures arise primarily from the burdensome and unrealistic air pollution control regulations imposed on the cement industry. Some of these corrections cannot be made on older equipment and entirely new installations are necessary. The restrictions are tighter on the cement industry primarily because we have already demonstrated our willingness and our capability of reducing pollution. In other industries where comparable expenditures have not been made in the past, the requirements of emission control are not as tight as they are on the cement industry.

Furthermore, cement industry profits are not adequate to support the level of capital expenditures required immediately to conform to these restrictive regulations. In the text of this annual report, we have shown that since the cement industry is so capital intensive, a high ratio of earnings to sales is required to supply the capital necessary for the continuation of the industry. In the case of our company, our percent of net income after taxes to gross billings amounted to 8.9%, which was our best performance since 1968 when the figure was 10.8%. Low cement price levels and substantially increased costs were the cause of these unsatisfactory margins. In recent years, price cutting and price competition reduced cement prices to 1960 levels. In 1972, the principal price depressant was governmental controls and regulations. Price increases must be achieved to keep pace with increased expenses and to provide funds for the expenditures demanded by government pollution control regulations.

Capital expenditures for specifically identified pollution control equipment totaled $2,325000 for the five years prior to 1972. This five-year total was exceeded in the single year of 1972 when $2,749,000 was spent on pollution control equipment. The 1973 figure is $1,626,000 and there are tentative plans for $2,267,000 of pollution control expenditures in 1974. The three-year total is $6,642,000, none of which will result in increased production and will require substantial annual maintenance expenditures in future years.

The principal air pollution control projects in 1973 include the up-grading of dust collection on one kiln to meet the higher standards and the installation of clinker cooler dust collectors which heretofore were not considered as major offenders. These controls are required, however, to meet the unreasonably strict standard of no visible emissions imposed on cement plants. These requirements of practically 0% emissions are unrealistic, but nevertheless we will attempt to conform and spend substantial money in the process.

The 1972 net earnings of $4,906,000 were the highest on record for our company. Yet this figure amounted to only half the capital expenditures for the year. The expenditures for pollution control alone in 1972 exceeded the entire earnings of the Company for the year 1970 and also the year of 1969. The Company already has a long term debt of $10,598,000 so long term borrowing to pay for pollution control expenditures has limited appeal.

The only solution to the problem, therefore, is increased prices for our product so that pollution control costs are spread among all who are financially or commercially interested in the utilization of our products.

POLLUTION CONTROL CAPITAL EXPENDITURES	
1966	$ 655,775
1967	88,850
1968	1,806,448
1969	107,073
1970	–0–
1971	322,426
1972	2,749,000
1973 (Authorized)	1,626,000
1974 (Estimated)	2,267,000

PPG INDUSTRIES, INC (DEC)

Financial and Operating Review (Page 22)

PPG Industries Foundation—The PPG Industries Foundation was formed in 1951 to function in a philanthropic capacity for the Company in meeting its social responsibilities to the national and general public, local communities and others. Since its inception, the Foundation has given $20 million to a variety of organizations keyed to the improvement of health, education, culture and other hallmarks of a strong society. In 1972, PPG reaffirmed its support of the Foundation by contributing $1 million.

SCOVILL MANUFACTURING COMPANY (DEC)

Since There Is Much Discussion Today About Corporate Social Responsibility We Thought Our Stockholders Would Be Interested In A Report On Our Activities In This Area. (Page 17)

A Social Action Report: This is an admittedly imperfect attempt to report on our corporate social action. We have used the balance sheet method of reporting – not because it is possible to attach monetary values to all of the things we are doing or shculd be doing, but aren't – but because it allows for brevity in highlighting strengths and weaknesses in this area. We will welcome comments on the contents and on whether to continue this report.

EMPLOYMENT OPPORTUNITIES

Assets

Company expansion has provided approximately 10,000 new jobs since 1963.

One of first members of Plans for Progress (3/17/64), a voluntary program to provide more job opportunities for minorities.

Minority employment has grown from 6% in 1963 to 19% in 1972.

Women now constitute about 40% of total employment.

Established National Alliance of Businessmen training program which resulted in hiring of 280 disadvantaged and 170 veterans in last 18 months in Waterbury area.

Began first major pre-retirement counseling program for employees with U.A.W. in 1964.

Established one of first effective alcoholism control programs for employees in 1954. (now includes drug control program)

Liabilities

Fluctuating employment levels still a problem at some plant locations.

Need more upgrading of minority employees into higher labor grade jobs.

Need more upgrading of women employees into higher labor grade jobs.

Closing of Waterbury work training center after Scovill investment of $33,000. State & Federal grants to support it were terminated.

ENVIRONMENTAL CONTROLS

Assets

$3,500,000 Waterbury water treatment plant completed Nov. 1972.

$3,000,000 air filtering systems for Waterbury mills 80% completed.

$55,000 water treatment facility for Canadian plant completed March, 1972.

$1,100,000 water treatment facility 70% completed at Clarkesville, Ga. plant.

All 10 new plants added since 1959 were built with all necessary pollution control equipment.

Liabilities

Problem of disposing of semi-solid sludge from new Waterbury water treatment plant still being researched for a solution.

New brass chip dryer ($700,000) installed one year ago to reduce air pollution in Waterbury must be modified to comply with new state standards.

New OSHA (Occupational Safety and Health Act) standards may require additional expenditures.

Intermittent nitrogen dioxide emissions from Waterbury plant a problem requiring further research.

COMMUNITY INVOLVEMENT

Assets

Scovill charitable contributions averaged 1.2% of company pre-tax net income over past 5 years (1972 contributions were 8% of common stock dividends)

Local non-profit group to which Scovill contributed $163,000 has sponsored 174 units of subsidized housing.

Scovill partnership with minority businessman is rebuilding 12 vacant apartments and 4 storefronts to demonstrate benefits of rehabilitating deteriorating neighborhoods.

Support other such community projects as alcohol & drug control centers, inner city parks, recreational programs, public safety committees...

Employee participation in such community activities as selectmen, state representatives, school board members...

Scovill loaned executives to federal, state and local governments in 1972.

Liabilities

Programs to provide more low income housing have not been productive enough for time and money expended.

Not enough rehabilitation of inner city neighborhoods.

Still much to be accomplished in revitalizing core cities, controlling drug addition, extending educational opportunities to the disadvantaged, etc...

Failure of programs to help youth groups establish minority owned businesses after Scovill investment of $20,000.

CONSUMERISM

Assets

Corporate programs utilizing more effective quality control procedures throughout the company have upgraded product performance.

"Dial NuTone" established – a nationwide telephone network to speed up service and customer communications.

NuTone added over 100 authorized service stations to its national network in the past year – and expanded its Parts & Service Dept.

NuTone simplified its product installation books and added a new Consumer Assurance Laboratory.

Hamilton Beach made its product tags more informative and simplified and clarified its warranties.

Hamilton Beach established new nationwide service organization – trained factory personnel contact independent service stations weekly to insure warranties are enforced.

Liabilities

New and improved procedures to upgrade quality and service to insure customer satisfaction not foolproof – problems still occur and are corrected as soon as possible.

Improper use of products despite more informative product tags and installation instructions.

Pending or future legislation which may impose more stringent standards for quality and performance.

STANDARD OIL COMPANY (INDIANA) (DEC)

Social Responsibilities (Page 19)

During the year the company continued to emphasize its obligation to be profitably responsible to the society in which it operates. To achieve this aim, specific social objectives were established, accountabilities and time schedules were assigned to many employees, and performance was measured. While the numbers are modest, they indicate early progress toward much larger goals.

Using such methods, we increased our purchases from minority suppliers to $3.7 million, from more than 200 suppliers in 1972, compared with a level of about $600,000 as recently as 1970. Substantial increases are again the objective for 1973. We increased aggregate short-term deposits in 72 minority owned banking institutions from $19 million in 1971 to $30 million in 1972. An affirmative action program to insure utilization of minority construction workers on our new headquarters building resulted in average minority employment throughout the year in excess of 30 per cent. Minority dealers selling our products increased to 850, and they, in turn, employed thousands of other members of minority groups.

Through a wholly owned minority enterprise small business investment company (MESBIC), we invested $178,000 in nine companies. This seed money generated additional funding by other lenders totaling $1,081,000. In addition, we invested $145,000 in minority businesses outside the MESBIC in 1972. Total investments in minority enterprises at year-end stood at $616,500.

UNION CAMP CORPORATION (DEC)

Notes to Financial Statements

Note 8: Income Taxes—The Company has pledged to donate its 49,000 acre interest in the Great Dismal Swamp to The Nature Conservancy, a nonprofit land conservation organization which intends to convey the property to the United States Department of the Interior. The donation will be made in installments through January, 1975. As a result of the donation, the Company anticipates a reduction in taxes of approximately $6,300,000, of which $700,000 was realized in 1972.

WESTVACO CORPORATION (OCT)

Page 11

Environmental Progress—While occupied with the job of strengthening our competitive position, we have been able with major investments to keep pace with increasingly stringent standards for clean air and water. The environmental programs we are carrying out at all our locations comply with existing orders, but regulatory agencies are demanding steadily higher levels of performance.

Westvaco's attention to air and water conservation in prior years has until now kept financial outlays for pollution abatement facilites in reasonable balance with other capital needs. Environmental commitments, however, are steadily reducing the amount of discretionary capital available to industrial companies. In 1972, $6.6 million, or 16% of our total capital budget of $42 million was spent on environmental facilities. In 1973, we anticipate environmental outlays of $8 million or more.

Expenditures we report for environmental equipment are conservatively stated in that they do not take into account large outlays we make for facilities that contribute significantly to cleaner air or water, but are operational in nature. For example, we installed at our Luke mill in late 1972 and will complete in early 1973 at Covington two large chemical recovery furnaces costing a total of $24 million. These units will bring about dramatic improvement in air quality at these two locations, but the return we receive from this large investment, in the form of operational efficiencies, is well below our normal benchmarks. Clearly, we would not have made this investment except for environmental reasons. Still, only those costs related to the air pollution control capability of these units are credited to environmental expenditures.

XEROX CORPORATION

The Year in Review (Page 28)

Public Affairs and Contributions—The Xerox Contributions Program continues to be the principal means by which we meet our broad responsibilities to society.

To support education and community programs corporate contributions in 1972 totaled $5.9 million worldwide.

A large portion of this was directed toward higher education, our basic area of interest. New grants were awarded to support special projects for improved teaching methods, educational reform and related projects.

A new element in the contributions program was funding support of community programs, such as the free film programs for children, in selected U.S. cities with Xerox regional or branch offices. In addition, assistance amounting to $1 million was given to over 130 United Funds. National organizations involved in urban community problems again received substantial financial support.

Outside the United States our contributions totaled about $1.9 million.

Major support was given through our Latin American companies to Children's Television Workshop for the production of *Plaza Sesamo* and of *Vila Sesamo*—Spanish and Portugese-language versions of *Sesame Street*—for viewing by young people in Latin America.

INCOME TAXES

PRESENTATION OF INCOME TAXES

APB Opinion No. 11 states in part:

> 60. In reporting the results of operations the components of income tax expense for the period should be disclosed, for example:
>
> a. Taxes estimated to be payable
>
> b. Tax effects of timing differences
>
> c. Tax effects of operating losses
>
> These amounts should be allocated to (a) income before extraordinary items and (b) extraordinary items and may be presented as separate items in the income statement or, alternatively, as combined amounts with disclosure of the components parenthetically or in a note to the financial statements.
>
> 61. When the tax benefit of an operating loss carry forward is realized in full or in part in a subsequent period, and has not been previously recognized in the loss period, the tax benefit should be reported as an extraordinary item in the results of operations of the period in which realized.
>
> 62. Tax effects attributable to adjustments of prior periods (or of the opening balance of retained earnings) and direct entries to other stockholders' equity accounts should be presented as adjustments of such items with disclosure of the amounts of the tax effects.

Caption titles used to identify the provision for federal income taxes and income taxes other than those payable to the United States Government are summarized in Table 3-15 and Table 3-16, respectively. Twenty-seven companies presented a credit provision for income taxes and 61 companies commented on variations in the annual effective tax rate. Examples of income tax presentations follow.

TABLE 3-15: FEDERAL INCOME TAXES—DESCRIPTION

	1972	1971	1970	1969
Income taxes (*19. 322. 681)	304	314	280	254
Federal income taxes (*11. 101. 722)	239	231	235	256
U.S. income taxes (*74. 279. 668)	51	45	66	73
No provision for federal income taxes	6	10	19	17
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 3-16: OTHER INCOME TAXES

	Com bined with Federal	Shown sepa-rately	Total
Type of Tax			
Foreign income taxes (*9, 511, 723)	92	63	155
State and/or local income taxes (*232, 644, 742)	51	77	128
State and foreign income taxes (*317, 481, 692)	33	22	55
Other (*113, 340, 553)	13	11	24
Total Presentations	**189**	**173**	**362**
Number of Companies	**1972**	**1971**	**1970**
Referring to other income taxes	289	269	269
Not referring to other income taxes	311	331	331
Total	**600**	**600**	**600**

*Refer to Company Appendix Section

ADMIRAL CORPORATION (DEC)

Income before items show below	**$22,421,000**
Provision for income taxes:	
Currently payable, principally foreign	6.682,000
Provision in lieu of U. S. taxes	4.183,000
Deferred—U. S. and foreign	(241,000)
	10,624,000
Income before minority interests and extraordinary items	$11.797,000

Summary of Accounting Policies

Income Taxes charged to operations are provided at appropriate rates for the countries in which the income is earned. In addition, commencing in 1972, provision has been made for the incremental U.S. income taxes which would be payable upon distribution of those earnings of the subsidiary in Taiwan which the Company does not intend to continue to invest in less developed foreign country operations. The incremental U.S. income taxes which would be payable upon distribution of the unremitted earnings of all other foreign subsidiaries would be substantially offset by foreign tax credits; accordingly no additional provision is made. Utilizations of U.S. net operating loss carryovers are reflected as extraordinary credits to income.

Income Taxes Allocable to Future Years arise principally from timing differences related to provisions for product and service warranties recorded in the financial statements, but not yet deductible for income tax purposes, partially reduced, in years prior to 1971, by an excess of depreciation claimed for tax purposes over depreciation recorded in the financial statements.

Investment Tax Credits which the Company is able to apply against its current income tax liability are recorded as a reduction of the current provision for income taxes under the flow-through method of accounting.

Financial Review

U.S. Income Taxes are not payable, principally because of utilization of a net operating loss carryover from 1970. The total loss carryover available for U.S. income tax purposes was utilized in 1972, including $4,400,000 of foreign taxes paid or deemed paid in 1969 which the Company presently intends to claim as reductions of taxable income by amending its U.S. tax return for that year. A final decision on whether to so amend the 1969 return does not have to be made before 1974.

At December, 31, 1972, there are loss carryovers of approximately $11,100,000 arising from timing differences for which the related tax benefits have not been recognized in the financial statements. These timing differences relate principally to estimated losses on disposition of properties, accrued pension costs and depreciation recorded in the financial statements, but not yet deducted for tax purposes.

There are, at December 31, 1972, foreign tax credit carryovers of approximately $1,240,000 (reflecting the proposed amendment to the 1969 federal income tax return) and investment tax credit carryovers of approximately $140,000. The foreign tax credits expire as to $580,000 in 1975 and $660,000 in 1976; investment tax credits expire as to $33,000 in 1976, $42,000 in 1978 and $65,000 in 1979.

U.S. income taxes have not been provided on $36,525,000 of undistributed earnings of foreign subsidiaries included in consolidated retained earnings at December 31, 1972. If such undistributed earnings, other than $5,710,000 of the subsidiary in Taiwan, were to be distributed or otherwise become subject to U.S. income taxes for reasons not presently contemplated, available credits would substantially reduce the taxes otherwise payable.

The subsidiary in Taiwan has received certain exemptions from normal Taiwan income taxes on its operations, which expire at varying dates to 1975. Without these exemptions, provisions for income taxes would have been greater by approximately $334,000 ($.06 per share) in 1972 and $375,000 ($.07 per share) in 1971.

ARCHER DANIELS MIDLAND COMPANY (JUN)

	1972	**1971**
	($ thousands)	
COSTS AND EXPENSES		
Cost of products sold and other operating costs	$636,494	$614,804
Selling, general and administrative expenses	17,238	17,027
Interest expense	5,058	6,064
Other	121	1,164
Income Taxes—Note 7	8,660	10,775
	$667,572	**$649,834**

Note 7: Income Taxes—Income tax expense consists of the following:

	1972	**1971**
	($ thousands)	
Federal	$5,729	$10,790
State	820	511
Deferred	2,797	(134)
Investment credit (flow-through method)	(686)	(392)
	$8,660	**$10,775**

ANHEUSER-BUSCH, INCORPORATED (DEC)

	1972	**1971**
	($ thousands)	
Income before Income Taxes and Extraordinary Item	**$146,887**	**$136,050**
Provision for Income Taxes (Note 8):		
Current	62,305	56,870
Deferred	8,182	7,542
	70,487	**64,412**

Summary of Accounting Principles and Policies

Income Taxes—The provision for income taxes is based on elements of income and expense as reported in the Statement of Income. The Company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable, the primary item being the calculation of depreciation for tax purposes on the basis of shorter lives permitted by the Treasury Department. The resulting tax benefit has been deferred and will be recognized in the provision for income taxes at such time as depreciation reported in the Statement of Income exceeds that taken for income tax purposes.

The Company follows the practice of adding the investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets are placed in service. Accordingly, benefits realized from the investment tax credit have been deferred and will be recognized as reductions in the provisions for income taxes in the appropriate years.

Notes to Consolidated Financial Statements

Note 8: Income Taxes—The provision for income taxes on income before income taxes and extraordinary item for the years ended December 31, 1972 and 1971, includes the following:

	1972	**1971**
	($ thousands)	
CURRENT TAX PROVISION:		
Federal income taxes	$57,547	$53,289
Other income taxes	4,758	3,581
	62,305	**56,870**
DEFERRED TAX PROVISION:		
Investment tax credit		
Reduction in current taxes payable	1,869	2,377
Less amortization of deferred investment tax credit	(1,775)	(1,664)
Charge equivalent to reduction in taxes due to investment tax credit	94	713
Deferred income taxes, primarily from the calculation of depreciation for tax purposes on the basis of guideline and class life rates permitted by the Treasury Department	8,088	6,829
	8,182	**7,542**
	$70,487	**$64,412**

The $70,487,000 provision for income taxes in 1972 is before giving effect to the income tax reduction of $4,006,000 ($3,271,000 current; $735,000 deferred) resulting from the loss on the discontinued Houston Busch Gardens operation.

The Internal Revenue Service has examined and substantially cleared federal income tax returns of the Company for years through 1969.

BASIC INCORPORATED (DEC)

Cost of goods sold	$35,942,783
Administrative, selling and research expenses	6,411,975
Depreciation	2,673,929
Interest on long-term debt	1,359,700
Other expenses	222,169
Federal income taxes—Note E	76,000
	$46,686,556

Note E: Federal Income Taxes—During 1971 the Company and the Internal Revenue Service reached an agreement on an over-assessment of $184,536 for the years 1965 through 1967. This refund was received in 1972 and credited to retained earnings as a prior period adjustment. It is included in receivables at December 31, 1971.

The Company is entitled to percentage depletion allowances for tax purposes, which in 1972 offset all income. However, minimum tax on preference items currently payable in the amount of $76,000 has been provided. At December 31, 1972 the Company had a net operating loss carryover of $1,870,000 of which $1,700,000 expires in 1976 and $170,000 in 1977. Minimum tax on preference items of $33,000 in 1972 and $99,000 in 1971 will become payable as the net operating loss carryovers are utilized. The minimum tax will be charged against income in the year it becomes a liability.

The Company uses the flow-through method of accounting for investment tax credit and at December 31, 1972 $478,000 was available to offset income taxes in future years.

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

	1972	**1971**
	($ thousands)	
Earnings before income taxes	$54,610	$45,021
Taxes on income	28,000	23,000
Net Earnings	**$26,610**	**$22,021**

Notes to Financial Statements

Note C: Income Taxes—The provision for taxes on income includes (1) taxes currently payable of $26,198,000 ($22,681,000 in 1971) including $13,492,000 federal and $12,706,000 foreign and state ($11,688,000 federal and $10,993,000 foreign and state in 1971) and (2) deferred income taxes of $1,802,000 ($319,000 in 1971). Investment credits, accounted for on the flow-through method, amounted to $413,000 in 1972.

It is the policy of the Company to require subsidiaries as a group to remit dividends to the Company in amounts which, net of foreign withholding taxes, equal approximately the same percentage of their aggregate earnings as current cash dividends to the Company's stockholders bear to consolidated earnings, subject to certain of the foreign countries' exchange controls and restrictions which affect withdrawals of undistributed earnings. Income taxes which it is estimated will be incurred on planned remittances of retained earnings of subsidiaries have been provided. Consolidated earnings retained and used in the business as of September 24, 1972 includes $46,103,000 of subsidiaries' undistributed earnings which are not planned to be remitted.

CELANESE CORPORATION (DEC)

	1972	**1971**	**1970**	**1969**	**1968**
			($ millions)		
Operating income	**$121.6**	**$137.4**	**$100.2**	**$184.9**	**$184.5**
Interest expense	(34.4)	(32.6)	(33.5)	(36.1)	(41.5)
Equity in net income of affiliates	9.6	7.7	7.5	8.6	4.5
Interest and other income	5.4	12.1	22.7	8.8	4.8
Income before taxes	**102.2**	**124.6**	**96.9**	**166.2**	**152.3**
Provision for income taxes	40.2	53.0	36.3	74.3	81.8
Income before minority interest	**62.0**	**71.6**	**60.6**	**91.9**	**70.5**
Minority interest	10.8	12.3	8.0	12.8	9.5
Income before extraordinary items	**$51.2**	**$59.3**	**$52.6**	**$79.1**	**$61.0**

Notes to Consolidated Financial Statements

	1972	1971	1970	1969	1968
			($ millions)		
INCOME TAXES AND EFFECTIVE TAX RATES					
Income taxes payable currently: U.S.	$30.5	$32.4	$16.8	$56.9	$49.0
Non-U.S.	5.9	4.7	5.2	9.3	8.2
Total payable currently	**36.4**	**37.1**	**22.0**	**66.2**	**57.2**
Deferred income taxes: U.S.	4.1	14.9	15.0	6.3	10.6
Non-U.S.	(1.8)	2.4	(1.5)	–	3.1
Total deferred	**2.3**	**17.3**	**13.5**	**6.3**	**13.7**
Investment tax credit: Earned and deferred	7.1	3.7	5.8	6.1	14.8
Amortized	(5.6)	(5.1)	(5.0)	(4.3)	(3.9)
Investment tax credit effect	**1.5**	**(1.4)**	**0.8**	**1.8**	**10.9**
Total	**$40.2**	**$53.0**	**$36.3**	**$74.3**	**$81.8**
Consolidated effective tax rate	39.3%	42.5%	37.5%	44.7%	53.7%
Effect of taxes on non-U.S. income	2.4	0.1	2.0	1.9	(5.1)
Effective U.S. tax rate	**41.7**	**42.6**	**39.5**	**46.6**	**48.6**
Investment tax credit	7.1	5.2	6.7	2.9	2.7
Non-taxable interest income	–	0.8	2.8	–	–
Surcharge	–	–	(1.2)	(4.8)	(4.8)
Other book-tax differences	(0.8)	(0.6)	0.2	3.3	1.5
Statutory U.S. income tax rate	**48.0%**	**48.0%**	**48.0%**	**48.0%**	**48.0%**

In addition to the annual reduction attributable to the amortization of deferred investment tax credits, the U.S. effective tax rate in 1970 was unusually low because a substantial portion of the proceeds from the sale of the petroleum operations was invested in tax-exempt bonds. Income from these investments was less in 1971 and had no effect in 1972. The tax rates for 1968, 1969 and 1970 were affected by the imposition of the 10% surcharge in those years (effectively 2½% in 1970). The 1968 consolidated tax rate was affected also by the inclusion of losses on certain non-U.S. operations.

At December 31, 1972, undistributed income of subsidiaries on which no tax has been provided was $84.6 million. The Corporation has not provided for taxes that would be payable upon distribution of its equity in the undistributed income of subsidiaries because current financial plans contemplate permanent reinvestment to meet the operating and capital requirements of these subsidiaries.

CURTISS-WRIGHT CORPORATION (DEC)

	1972	1971
	($ thousands)	
Earnings from continuing operations before federal and foreign income taxes	$7.546	$7.524
Provision for federal and foreign income taxes (see Note 4)	3,149	4,150
Earnings from continuing operations	**$4,397**	**$3,374**

Note 4: Federal and Foreign Income Taxes—The components of the provisions for federal and foreign income taxes applicable to continuing operations are as follows:

	1972	1971
	($ thousands)	
Provision (credit) for current federal income taxes	$1,343	$ (479)
Investment tax credit recapture (credit)	276	(188)
Federal income taxes currently payable (recoverable)	**1,619**	**(667)**
Provision (credit) for deferred federal income taxes	(861)	2,000
Provision for foreign income taxes	3,602	2,817
Reversal of provision for federal income taxes no longer required	(1,211)	– – –
Total provision for federal and foreign income taxes	**$3,149**	**$4,150**

Deferred federal income taxes have been provided (credited) in recognition of timing differences in reporting various items of income and expense in the Corporation's financial statements as compared to the Corporation's tax returns.

The net tax effects of these timing differences have been reflected in the accompanying balance sheets as deferred taxes of $807,000 included in federal and foreign income taxes at December 31, 1972 and $507,000 included in federal income taxes recoverable at December 31, 1971 and noncurrent deferred taxes in both years.

In prior years, the Corporation's liability for federal income taxes included a provision estimated on the basis of applicable statutes and government regulations then in effect. As a result of a recent Internal Revenue Service examination, a portion of such provision is no longer required and accordingly $1,211,000 has been credited to income in 1972. Federal income tax returns of the Corporation have been examined by the Internal Revenue Service through 1971.

The consolidated tax provision does not include additional income taxes that might result from receipt of dividends paid out of undistributed earnings of Dorr-Oliver's foreign subsidiaries and a Domestic International Sales Corporation to the extent that it is intended to reinvest such earnings. Undistributed earnings upon which income taxes have not been accrued amounted to approximately $4,000,000 at December 31, 1972.

The rate used in computing the provision for federal income tax varies from the statutory tax rate (48%) principally due to the reversal of provision for income taxes no longer required, favorable tax treatment afforded Domestic International Sales Corporations and capital gains, investment credits, tax exempt interest and equity in net loss of an affiliated company (which has no tax effect).

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

	1972	1971
	($ thousands)	
Income (loss) before income taxes and extraordinary credit	$12,806	$(6,689)
Provision for income taxes (Note 3)	5,080	1,152
Income (loss) before extraordinary credit	**$ 7,726**	**$(7,841)**

Note 3: Provison for Income Taxes and Extraordinary Credit—The provision for income taxes is composed of the following:

	1972	1971
	($ thousands)	
United States:		
Federal	$3,140	$ --
State	626	--
Foreign:		
Current	1,404	1,304
Deferred	(90)	(152)
	$5,080	**$1,152**

The provision for Federal income tax represents the amount that would have been provided in the absence of a net operating loss carryforward. Such provision is based on financial statement income after utilization of foreign and investment tax credits of approximately $900,000 becoming available as the result of current transactions. The income tax reduction resulting from carryforward of prior years' domestic and foreign operating losses is presented as an extraordinary credit in the statement of income.

FALSTAFF BREWING CORPORATION (DEC)

	1972	1971
	($ thousands)	
Income (Loss) Before Provision for Income Taxes	**(8,932)**	**2,715**
Provision for Income Taxes (Credit) (Note 3):		
Current	(2,278)	1,284
Deferred	(586)	50
Total Provision	**(2,864)**	**1,334**
Net Income (Loss) for the Year	**(6,068)**	**1,381**

Note 3: Income Taxes—In 1972, the credit provision for current income taxes consists primarily of the refundable taxes arising from the carryback of operating losses and investment tax credits to prior years, net of $347,000 additional accrual for settlement of tax claims for the years 1968 through 1971.

The Corporation has an operating loss carryforward for tax purposes in the approximate amount of $2,556,000 at December 31, 1972, expiring in 1977, which resulted from current operating losses. A tax benefit in the amount of $586,000 for a portion of this operating loss carryforward has been reflected in the accompanying financial statement of income as a credit against the deferred income taxes previously provided. To the extent to which the loss carryforward benefit is realized in the future, the credit recognized in 1972 will be reinstated.

Investment tax credits amounted to $84,000 in 1972 and $38,000 in 1971. The 1972 credit will be available as an offset against future income taxes payable.

The Corporation utilizes guideline lives for machinery and equipment and generally the declining balance method for computing depreciation for income tax purposes.

MARCOR INC. (JAN)

	1973	1972
Earnings before taxes on income	$132,052,000	$101,035,000
Provision for Taxes on Income	59,380,000	43,523,000
Net Earnings	**$ 72,672,000**	**$ 57,512,000**

Financial Information

	1972	1972	1971	1971
RECONCILIATION OF EFFECTIVE RATES TO STATUTORY FEDERAL (48%) RATE	Amount (thousands)	Effective Rate (%)	Amount (thousands)	Effective Rate (%)
At statutory (48%) rate	$63,385	48.0	$48,497	48.C
Investment tax credit	(4,741)	(3.6)	(4,772)	(4.7)
Lower tax rates on foreign operations	(931)	(.7)	(831)	(.8)
State taxes on income less applicable federal taxes	2,256	1.7	909	.9
All other—net	(589)	(.4)	(280)	(.3)
Provision for Taxes on Income	**$59,380**	**45.0**	**$43,523**	**43.1**

	1972	1971	
PROVISION FOR TAXES ON INCOME			Percent
Current and Deferred Taxes	(thousands)	(thousands)	Increase
Federal and overseas taxes on income:			
Currently payable	$13,510	$12,679	6.6
Deferred	41,530	29,095	42.7
	$55,040	**$41,774**	**31.8**
State income taxes (principally current)	4,340	1,749	148.1
Total	**$59,380**	**$43,523**	**36.4**

POTTER INSTRUMENT COMPANY, INC. (JUN)

Income (Loss) Before Income Taxes	$(14,811,789)	$3,041,632
Income taxes (recoverable) (Note 2)	(1,679,245)	1,686,800
Net Income (Loss)	**$(13,132,544)**	**$1,354,832**

Note 2: Taxes on Income—For 1971 and prior years, the Company provided deferred taxes for differences between pre-tax accounting and taxable income. In 1972, because of the operation of carry-back and carry-forward net losses, all such deferred taxes were reversed.

Certain subsidiaries of the Company are exempt from

Puerto Rican income taxes under industrial tax exemptions expiring in 1977 and 1980. The Company has made no provision for income taxes which would be applicable in the event of a distribution (other than a distribution in liquidation which would be nontaxable) of the accumulated tax-exempt income earned by these subsidiaries since it is the intent of the Company to permit its subsidiaries operating in Puerto Rico to reinvest these earnings. The cumulative undistributed earnings of these subsidiaries on which the Company has not recognized income taxes amounted to $5,846,553 at July 3, 1971 and $6,469,326 at June 30, 1972. Of these amounts $954,621 (equal to $.35 per share) was earned in 1971 and $622,773 (equal to $.23 per share) was earned in 1972. With respect to all other subsidiaries, it is the Company's policy to provide taxes currently, if applicable, for all undistributed earnings.

The Company has received notice of proposed adjustments to its Federal income tax returns for fiscal 1965 through 1968. The proposed adjustments, which could result in additional taxes of approximately $700,000, are based upon a reallocation of profits reported as earned in Puerto Rico during those years. A continuing application of the underlying interpretation which led to these proposed adjustments could result in an assessment for additional taxes for fiscal 1969 through 1971. However, the Company believes such assessment, if any, would be more than offset by available loss carrybacks. The Company has initiated appeal proceedings to contest these proposed adjustments, which it believes are without merit. Pending resolution of these proceedings, no provision has been made for the additional taxes proposed.

A subsidiary of the Company operating in Puerto Rico is contesting a proposed change in its exemption commencement date, which change, if sustained, could cause this subsidiary to become subject to Puerto Rican income taxes totalling approximately $200,000, all applicable to prior years.

The Company and its domestic subsidiaries except those operating in Puerto Rico, file consolidated income tax returns. At June 30, 1972, available loss carry-forwards totalled approximately $8,600,000 for income tax purposes, of which $1,500,000 expires in 1976 and $7,100,000 expires in 1977. For financial reporting purposes, this loss carry-forward amounts to approximately $8,900,000. The Company also has available unused investment credits totalling approximately $54,000 of which $3,000 expires in 1978 and $51,000 expires in 1979.

The components of the provision for (recovery of) income taxes in the accompanying consolidated statement of income are:

	Year Ended	
	Jun 30, 1972	**Jul 3, 1971**
Foreign:		
Current	$ 9,955	$ 289,229
Deferred	97,104	112,244
Federal and State:		
Current	89,656	161,342
Deferred	(1,875,960)	1,123,985
Total	**$(1,679,245)**	**$1,686,800**

THE SIGNAL COMPANIES (DEC)

	1972	**1971**
	($ thousands)	
EXPENSES:		
Cost of sales and operating expenses	$1,155,549	$1,064,344
Selling, general and administrative expenses	166,927	147,825
Depreciation, depletion and amortization	42,063	39,138
Exploration expenses, including abandonments of nonproductive oil properties	13,118	12,716
Interest	26,621	30,961
Income taxes	33,021	12,284
	$1,437,299	**$1,307,268**

Notes to Financial Statements

Note 7: Income Taxes—The provision for income taxes is summarized as follows:

	1972	**1971**
	($ thousands)	
Currently payable:		
United States (after investment tax credits of $1,236 and $923 in 1972 and 1971, respectively)	$15,871	$ 3,163
State	5,374	3,457
Foreign	7,981	6,186
	29,226	**12,806**
Deferred (tax effect of timing differences)	4,870	3,498
Total income taxes provided	**$34,096**	**$16,304**
Allocated to:		
Income before equity in income of unconsolidated subsidiaries and associated companies, etc.	$33,021	$12,284
Equity in income of unconsolidated subsidiaries and associated companies	6,342	4,944
Extraordinary items:		
Tax (benefit) provision on extraordinary gains and losses	(3,889)	438
Tax benefits on deferred development costs written off for book purposes in 1970	(1,378)	(1,362)
	$34,096	**$16,304**
Effective income tax rate	**46%**	**36%**

The increase in the effective income tax rate in 1972 results principally from the decrease, in relation to total consolidated income, in the amount of capital gains transactions and in the amount of permanent differences between accounting and taxable income.

VEEDER INDUSTRIES INC. (DEC)

Notes to Consolidated Financial Statements

Note I: Taxes on Income—The following summarizes significant differences between taxes on income for financial statement purposes and the standard United States tax rate:

	Amount ($ thousands)		Percent of Pre-tax Income	
	1972	**1971**	**1972**	**1971**
Income tax provision as shown in statement of consolidated income	$3.323	$2.796	46.6%	45.1%
Reconciliation to United States statutory tax rate:				
Investment tax credit (flow-through method)	93	36	1.3	.6
Income from investments not subject to income tax	46	51	.7	.8
Difference due to lower effective tax rate attributable to earnings of foreign subsidiaries and affiliate	143	257	2.0	4.2
Effect of inclusion of state taxes in provision and other incidental items	(188)	(165)	(2.6)	(2.7)
	$3,417	**$2,975**	**48.0%**	**48.0%**

TABLE 3-17: TIMING DIFFERENCES

	1972	1971	1970	1969
Reasons for				
Depreciation	439	381	366	335
Installment sales	68	59	54	54
Deferred expenses	56	54	57	101
Unremitted earnings	56	11	N/C	N/C
Deferred income	36	29	38	31
Pensions	30	27	27	26
Other employee benefits	44	32	32	N/C
Discontinued operations	30	12	N/C	N/C
Research and development	20	21	19	N/C
Long-term contracts	16	15	N/C	N/C
Inventory pricing	15	9	7	12
Warranties and guaranties	12	10	N/C	N/C
Pre operating expenses	11	13	N/C	N/C
Other estimated expenses	47	45	60	57
Total disclosures	**880**	**718**	**660**	**616**
Number of Companies				
Reasons disclosed	461	428	410	385
Reasons not disclosed	92	102	111	135
No timing differences disclosed	47	70	79	80
Total	**600**	**600**	**600**	**600**
Tax effects				
Disclosed within income statement	188	192	197	200
Disclosed in notes to financial statements	269	242	204	193
Disclosed elsewhere	44	54	51	25
Subtotal	**501**	**488**	**452**	**418**
Not disclosed	52	42	69	102
No indication of timing differences	47	70	79	80
Total Companies	**600**	**600**	**600**	**600**

N/C– Not Compiled

TIMING DIFFERENCES

APB Opinion No. 11 identifies four types of transactions which give rise to timing differences. In general, timing differences occur when the period for reporting a transaction for financial accounting purposes is either earlier than or later than the period for reporting a transaction for tax accounting purposes. Table 3-17 shows that most companies reporting timing differences disclose the reason for the timing difference and the amount of the tax effect of the timing difference. In addition to the reasons for timing differences cited in Table 3-17, six companies disclosed that the timing difference was caused by the use of cash basis accounting for tax purposes and accrual basis for financial accounting purposes for certain segments of their business c.f. farming operations and operating of a school. Examples of timing differences are presented in connection with Table 2-42.

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. Effective for property acquired, constructed, or reconstructed after April 18, 1969, the Tax Reform Act of 1969 terminated the credit but permitted unused credits to be carried back three years and carried forward seven (in some instances ten) years. The Revenue Act of 1971 reinstated the credit for property ordered after March 31, 1971 and for property ordered prior to March 31, 1971 but acquired subsequent to August 15, 1971. The Revenue Act of 1971 did not require a particular method of accounting but did require that once an accounting method was adopted no change could be made without the consent of the Secretary of the Treasury or his delegate. Treasury releases issued subsequent to the enactment of the Revenue Act of 1971 stipulated that only the flow-through method or deferral method be used to account for the investment credit and specified December 10, 1971 as the effective date for the accounting requirements of the Act.

Various aspects of the reinstated investment credit are discussed in *Accounting Interpretations* appearing in the April 1972 issue of *The Journal of Accountancy.* Excerpts from two of the interpretations follow.

> *Change in Method of Accounting for Investment Credit*
>
> *"Old Investments Credits."* Paragraph 16 of *APB Opinion No. 20* specifies that the previously adopted method of accounting for a tax credit which is being discontinued or terminated should not be changed. Therefore, the method of accounting used for investment credits previously reported in financial statements covering taxable years ending before December 10, 1971 should be continued for those credits in financial statements issued after December 9, 1971. Thus, an investment credit received in 1968 and accounted for by the deferral method should under *APB Opinion*

No. 20 continue to be amortized on the same basis as before even though the taxpayer elects to use the flow-through method under the one-time "free choice" to account for 1971 Act investment credits. Likewise, a 1968 investment credit which was accounted for by the flow-through method should not be reinstated, either by retroactive restatement, or by a "catch-up" accounting change adjustment, even though the taxpayer elects the deferral method under the one-time "free choice" to account for 1971 Act investment credit.

Under paragraph 16 of *APB Opinion No. 20,* the "old" investment credit in the above examples is considered terminated as of December 9, 1971 in view of the Treasury Department releases. The adoption of a different method to account for 1971 Act investment credits under the one-time "free choice" is, therefore, considered similar to the adoption of a different method of amortization for newly acquired assets, as provided by paragraph 24 of *APB Opinion No. 20.*

"New" Credits Arising Before Cutoff Date. An investment credit arising under the Revenue Act of 1971 but allowable in a taxable year ending before December 10, 1971 (for example, from property purchased in September 1971 by a taxpayer with a November 30 taxable year) may be accounted for either by the method used in prior years to account for the investment credit or by the method the taxpayer will use under the one time "free choice." In these circumstances, those taxpayers who use the "old" method may exercise their one-time "free choice" in the following year. Those taxpayers who change to a different method for the 1971 Act credit should continue that method in accounting for investment credits allowable in following taxable years ending after December 9, 1971.

Consistency Exception in Auditor's Report. A change in the method of accounting for the investment credit (either by selection of a different method under the one-time "free choice" or later by permission of the Secretary of the Treasury or his delegate) would call for a consistency exception in an independent auditor's report if it has a material effect on the financial statements in the current year (see the following interpretation on tax credit disclosure). The effect of the change under the one-time "free choice" should be disclosed in the manner specified by paragraph 24 of *APB Opinion No. 20.* The effect of a Treasury approved change should be disclosed in the manner specified by paragraph 21 of *APB Opinion No. 20.*

Investment Credit is Prior Period Adjustment

Interpretation—An investment credit arising under the Revenue Act of 1971 and allowable in a taxable year ending before December 10, 1971 is considered to be an event of a fiscal year ending before December 10, 1971. If the financial statements have not yet been issued they should be adjusted to reflect the credit as a type 1 subsequent event (see SAP No. 47). If the financial statements have already been issued, the credit should be treated as a prior period adjustment as described by paragraph 18 of *APB Opinion No. 9* (see also paragraph 18 of *APB Opinion No. 15).*

The credit may be accounted for by the method used in prior years to account for the investment credit or by a different method. If a different method is used, that method should be used thereafter to account for investment credits allowable in following taxable years ending after December 9, 1971. (See preceding interpretation on change in method of accounting for the investment credit.)

The manner in which the investment credit is accounted for is summarized in Table 3-18. Examples of disclosures of the accounting for the investment credit follow.

TABLE 3-18: INVESTMENT TAX CREDIT

	1972	1971	1970	1969
Flow-through method:				
No prior years' deferral	465	307	234	283
Prior years' deferral being amortized	24	22	11	17
Subtotal	**489**	**329**	**245**	**300**
Deferral method:				
Amortized over productive life ...	67	62	35	39
Amortized over shorter period ...	5	8	6	6
Amortization policy not indicated	5	12	13	16
Subtotal	**77**	**82**	**54**	**61**
No reference to investment credit	34	189	301	239
Total Companies	**600**	**600**	**600**	**600**

Flow-Through Method

BURLINGTON INDUSTRIES, INC. (SEP)

Notes to Consolidated Financial Statements

Note A (in part): Income Taxes—Deferred income taxes are provided on items recognized in different periods for financial reporting purposes than for income tax purposes. Investment credits since 1964 have been applied to reduce current federal income tax expense under the "flow-through" method.

Note B: Financial Review—The sections of the Financial Review (pages 14 to 16) on Income Taxes and Investment Credit and International Operations should be considered an integral part of the Notes to Consolidated Financial Statements.

Financial Review

Income taxes and investment credit—Investment tax credits included in fiscal 1972 earnings were $7.1 million, equivalent to 24 cents per share, compared to $0.8 million (3 cents per share) in 1971. The 1972 credits included 19 cents per share for 1972 capital investments;

3 cents for 1971 capital investments (due to the delayed enactment of the Revenue Act of 1971); and 2 cents per share under the Revenue Act of 1962.

The provision for taxes on income in 1972 was $44.2 million compared to $43.9 million in 1971. Of these amounts $39.8 million in 1972 and $40.2 million in 1971 are federal, state and local taxes on income; the remainder, $4.4 million in 1972 and $3.7 million in 1971, are foreign income taxes.

The federal tax returns of the Company and its domestic subsidiaries have been reviewed by the Internal Revenue Service through the 1968 fiscal year. Provision for liabilities established in these examinations has been made in the financial statements or the liabilities have been paid.

THE DOW CHEMICAL COMPANY (DEC)

Accounting Principles

Taxes on Income and Investment Credits—The companies compute and record income taxes currently payable based upon their determinaton of taxable income which may be different from pretax accounting income. These differences may arise from recording in pretax accounting income transactions which enter into the determination of taxable income in another period. The tax effect of these timing differences is recognized by adjustment currently to the provision for taxes.

Provision is made for income taxes on unremitted earnings of subsidiaries and 20%-50% owned companies as required under United States income tax laws, or as such earnings are determined not to be permanently invested.

Laws governing the determination of United States and certain foreign income taxes provide for investment credits or allowances which are deductible generally upon completion of qualified facilities. Such credits are reflected as a reduction of income tax expense on the flow-through basis in the year in which they are deductible.

In addition to tax credits, certain foreign countries provide investment incentives in the form of tax-free grants which offset development and start-up expenses of new facilities to which they relate. The excess, if any, of grants earned over expenses incurred are amortized over the life of the facilities.

Notes to Financial Statements

Note L: Taxes on Income—The provision for taxes consists of:

	1972	**1971**
	($ millions)	
Current provision	$130.5	$90.3
Investment credits	11.3	5.0
Taxes currently payable	**119.2**	**85.3**
Tax effects of timing differences	7.9	5.7
	$127.1	**$91.0**

Effective consolidated tax rates for the years 1972 and 1971 were 39.2% and 36.4%, respectively. Principal reasons for variation between the consolidated effective rate and the United States corporate statutory rate include taxation of foreign income at a variety of tax rates, investment tax credits and foreign investment allowances, depletion allowances and capital gains or losses.

Agreement has been reached with the Internal Revenue Service for all years through 1966.

GAF CORPORATION (DEC)

Note 1 (in part): Investment Tax Credit—The Company accounts for investment tax credits arising since January 1, 1971 as a reduction of the provision for Federal income tax (the flow-through method). Investment tax credits arising prior to that date have been deferred and are being amortized over the estimated service lives of the related assets. The 1971 change recognizes that, based on previous experience, the Company's earnings are depressed during periods of heavy capital expenditures, as a result of start-up expenses and the non-income producing investment of funds, including those invested in initially excess capacity of facilities.

Note 7: Income Taxes—The provision (credit) for income taxes (exclusive of amounts included in extraordinary items) consists of the following:

	1972	**1971**
	($ thousands)	
Federal—current	$12,536	$ 9,028
Federal—deferred	6,023	4,531
Foreign income taxes	2,548	2,356
Amortization of deferred investment tax credit arising prior to 1971	(608)	(689)
State taxes based on income	2,144	509
Total	**$22,643**	**$15,735**

Investment tax credits of $1,521,000 in 1972 and $1,139,000 in 1971 have been applied as a reduction of the provision for current Federal income taxes.

The Internal Revenue Service has proposed additional assessments of approximately $4,746,000 plus interest for the years 1967 and 1968 for the Company and certain companies acquired or merged with GAF since 1965. The Company is of the opinion that adequate provision has been made for any additional liability which might arise therefrom.

ROHM AND HAAS COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): United States Investment Tax Credits since 1969 are taken directly into income as a reduction of income taxes. United States investment tax credits prior to 1969 are deferred and amortized over the lives of the related assets as a reduction of income taxes. United Kingdom investment grants related to certain machinery and equipment of the company's subsidiary in England also are deferred in the accounts. The grants are being amortized over the lives of these assets and offset related depreciation expense.

The overall decrease in the effective tax rate in 1972 compared with 1971 is primarily due to the increase in the United States investment credits, tax benefits from a Domestic International Sales Corporation, and tax adjustments of certain foreign subsidiaries. The provision for income taxes shown on the statements of consolidated earnings is as follows:

	1972	1971
	($ thousands)	
Computed tax for income tax purposes ...	$37,406	$22,446
Net effect of timing differences	(3,338)	632
United States investment credits which have been taken into income as a reduction of Federal income taxes:		
Current investment credits taken directly as a reduction of income taxes	(3,583)	(594)
Amortization of investment credits deferred from years prior to 1969	(772)	(788)
Income tax provision	**$29,713**	**$21,696**

At December 31, 1972, $22,476,000 of deferred investment tax credit remained to be taken into income in future years.

Statement of Accounting Policies

The Income Tax Effect resulting from temporary differences between the reporting of certain items for financial statement income and taxable income is deferred to future periods. Tax reductions arising from statutory depletion and deductions for intangible drilling and development costs relative to oil, gas and coal operations are included in net income currently and, together with the investment tax credit which is included in income over the lives of the related assets, are the principal factors consistently accounting for the low effective tax rate.

VELVET-O'DONNELL CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies-Investment Tax Credit—Investment tax credits are reflected as reductions of Federal income tax expense in the year realized. The amount of investment credit and the effect on earnings per share is summarized below:

Year Ended	Per Share	Amount
November 2, 1968	$.01	$ 3,040
November 1, 1969	.02	7,751
October 31, 1970	–	–
October 30, 1971	.01	2,100
October 28, 1972	.07	34,000

Deferral Method

ALLIED CHEMICAL CORPORATION (DEC)

Other Financial Data

INCOME TAXES	1972	1971
	($ thousands)	
Taxes on income		
United States and Canadian income taxes		
Provision for current income taxes	$12,047	$ 5,859
Provision for deferred income taxes	9,533	10,010
Investment tax credit		
Allowable investment tax credit deferred..	7,001	3,369
Amortization of deferred investment tax credit	(5,735)	(6,270)
Other income taxes	7,946	6,153
	$30,792	**$19,121**
Taxes on extraordinary items		
Provision for current income taxes	$(841)	$798
Other income taxes	59	107
	$ (782)	**$ (905)**

THE BENDIX CORPORATION (SEP)

Basis of Financial Statements

United States and Foreign Taxes on Income—The Corporation and its consolidated subsidiaries follow the practice of providing deferred income taxes on timing differences between financial and taxable income.

Investment credit is deferred and amortized over the estimated useful lives of the assets to which it applies.

Notes to Consolidated Financial Statements

United States and Foreign Taxes on Income—The provision for United States and foreign taxes on income and deferred investment credit included in deferred income taxes are summarized below:

	1972	1971
	($ millions)	
PROVISION:		
Current	$56.3	$30.7
Deferred	(3.7)	2.9
Deferred investment credit	.7	(.8)
Total	**$53.3**	**$32.8**
DEFERRED INVESTMENT CREDIT:		
Balance at beginning of the year	$4.1	$4.9
Investment credit:		
Earned	1.7	
Amortized	(1.0)	(.8)
Total	.7	(.8)
Balance at end of the year	**$4.8**	**$4.1**

THE QUAKER OATS COMPANY (JUN)

Notes to Financial Statements

Summary of Accounting Policies (in part): Tax Credits—The reduction in Federal income taxes in 1972 and subsequent years resulting from the job development investment tax credit for investments in new property and equipment is being deferred and amortized over the estimated useful lives of the related assets. Similar reductions from investment tax credits in prior years were reflected in income on the flow through basis.

Income Taxes—Provision for income taxes on income before extraordinary item consists of:

	1972	1971
	($ thousands)	
Currently payable–		
Federal	$20,497	$20,943
Investment tax (credit)	(56)	(55)
Foreign	3,647	2,418
State	3,314	2,198
Deferred (related primarily to depreciation and investment tax credits)	6,144	3,072
	$33,546	**$28,576**

Investment tax credit for 1972 is being amortized over the estimated useful lives of assets acquired. In 1971 and prior years such credits were accounted for on the flow through basis. If this basis had been used in 1972, income would have been increased $895,000, or $.07 per share.

THE STANDARD REGISTER COMPANY (DEC)

Notes to Financial Statements

Note 7: Deferred Taxes—From the inception of the investment tax credit in 1962 through its termination in 1969 and reinstatement in 1971, the Company has consistently allocated it to net income over the productive lives of the related equipment rather than reporting it currently as net income in the year it was claimed for tax purposes. This preferred treatment has provided deferred credits of $962,054 as of December 31, 1972 ($886,807 as of January 2, 1972) which will enhance future earnings.

Since 1964, the Company has used accelerated methods of depreciation for tax purposes while continuing to employ the straight-line method for financial reporting purposes. In 1971, it adopted the Asset Depreciation Range System permitted under the Revenue Act of 1971, which provides for reductions of as much as 20% in useful lives of depreciable property acquired after 1970.

Consequently, the federal income tax on the aggregate difference between these depreciation methods has been recognized as a deferred tax liability of $2,255,608 as of December 31, 1972 ($1,937,398 as of January 2, 1972). Partially offsetting this is $57,600 ($14,380 in 1971) of income tax paid on certain estimated expenses which have been deducted from financial net income but not yet claimed for tax purposes. The net effect of these deferrals is a charge against income in 1972 of $350,237 ($296,259 in 1971) as additional federal income tax expense. 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 credited to income.

TAX ASSESSMENTS

122 survey companies disclosed tax claims or tax assessments. Of the 46 companies disclosing tax claims 21 resulted from operating loss carrybacks. Of the 76 companies referring to proposed tax assessments 65 had not accrued a liability for the proposed deficiency. Examples of disclosures of proposed tax assessments and tax claims are shown below and in connection with Tables 1-20 and 1-21.

ASHLAND OIL, INC. (SEP)

Notes to Consolidated Financial Statements

Note H (in part): Commitments and Contingent Liabilities—Federal income tax returns for the years 1961 through 1967 have been examined and the years 1968 and 1969 are being examined by the Internal Revenue Service. The Company has been informally advised by the examining agents that adjustments relating primarily to income from foreign crude oil transactions may be proposed for taxes substantially in excess of the income tax reserves previously provided. Similar issues may be raised for the years 1970 and 1971. While a complete report on the examination has not been received and the amount of the potential assessment has not been determined, the Company intends to resist such adjustments. It is not possible at this time to predict the outcome but management believes, and has been so advised by its general counsel, that any liability ultimately determined should not have a material effect on the Company's consolidated financial position. Any adjustments which may finally be determined will be charged to income of the years to which they apply as prior period adjustments and may also increase tax accruals and payments in future years.

GENERAL HOST CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 14 (in part): Litigation—The State of Florida has made assessments for alleged deficiencies in the collection and payment of sales taxes against the Company, as successor to Li'l General Stores, Inc. for the years 1965, 1966 and 1967 in the approximate aggregate amount of $485,000. If the State is correct in the theory upon which these assessments are made, additional assessments for subsequent years may be anticipated. A legal action has been commenced in the Florida courts by the Company against the Department of Revenue of the State of Florida seeking a declaratory judgment in the Company's favor. The case was heard in November 1972 but to date no decision has been rendered. Provision has been made in prior years to cover any probable liability from the alleged deficiency.

INTERLAKE, INC. (DEC)

Notes to Financial Statements

Note 7: Income Taxes—The provision for income taxes consists of:

	1972	1971
	($ thousands)	
U.S. Federal:		
Currently payable (less investment credits of $550 in 1972 and $767 in 1971)	$7,974	$7,530
Deferred	(781)	(1,322)
State and foreign	2,205	2,111
	$9,398	**$8,319**

The consolidated tax provision results in an effective tax rate lower than prevailing rates due principally to investment tax credits and percentage depletion allowances.

As of December 31, 1972, federal income tax returns for the years 1965 through 1969 were being examined by the Internal Revenue Service, and a number of adjustments have been proposed. One of the proposed adjustments involves the determination of the cost of ore from one of the Company's iron ore interests and could result in certain of these costs being disallowed as a current tax deduction. The Company believes that its position on this issue has merit and should not result in any significant adjustment. In the opinion of management, adequate provision has been made for possible tax assessments resulting from these examinations.

LYKES-YOUNGSTOWN CORPORATION (DEC)

Notes to Financial Statements

Note 5: Income Taxes—The Company's effective tax rate is influenced by certain recurring items such as excess of percentage depletion over cost depletion, tax-free interest income, dividends received deduction, deposits in statutory reserve funds and minimum tax on tax preference items. With respect to earnings subject to deposit in the statutory reserve funds, federal income taxes are deferred until such earnings are withdrawn for general corporate purposes or upon termination of the subsidy agreement; however, tax-deferred earnings may be withdrawn for investment in vessels without being subject to tax, but the tax basis of the vessels is reduced by the amount of such investment. Withdrawals for investment in vessels are not of consequence as long as the subsidy agreement continues with respect to the vessels, because required deposits of depreciation on full vessel cost will offset the tax effect otherwise resulting from a lower tax basis. At December 31, 1972, $113,600,000 of tax deferred earnings has been withdrawn and invested in vessels and $23,100,000 remains on deposit in the reserve funds.

Investment tax credits applied in reduction of current federal income taxes amounted to $2,441,000 for the year ended December 31, 1972. At December 31, 1972, investment tax credits of approximately $19,527,000 were available for carryforward through periods ending 1978—1980 for tax purposes of which $8,075,000 has been recognized for financial accounting purposes in 1972 and prior years.

Lykes has filed suit in the United States Court of Claims for investment tax credits disallowed by the Internal Revenue Service in the 1962 tax return. The controversy involves, ultimately, the availability of investment tax credits aggregating approximately $8,400,000 on capital expenditures for vessels, barges, and containers delivered in the years 1962 through 1972 and those presently under construction to be delivered in 1973. Provision has been made for federal income taxes (approximately $6,000,000) which may be payable for 1972 and prior years.

The Internal Revenue Service has proposed additional tax assessments, including the disallowance of certain deductions for the cost of iron ore purchased from an affiliated mining company, for the years 1960 through 1966. The Company is protesting these assessments and has made adequate provision for possible disallowances, including interest.

THE RATH PACKING COMPANY (SEP)

Note 4 (in part): Federal Income Taxes—Federal income tax returns for years through December 31, 1965 have been examined by and settled with the Internal Revenue Service. The return for the year ended December 31, 1966 has been examined by the Internal Revenue Service and certain adjustments have been proposed. These adjustments, which relate principally to the timing of the deductibility of charges for leased rail cars (see Note 2), would have the effect of reducing allowable tax deductions in future years by approximately $570,000. The Company has not agreed to the proposed adjustments and believes that this matter will be settled favorably to it.

TYSON FOODS, INC. (SEP)

Notes to Financial Statements

Note 6 (in part): Contingencies and Commitments—Tax Examinations—The Internal Revenue Service has proposed federal income tax deficiencies against the Company and its subsidiaries for the years ended September 30, 1968 and 1969, which would, if finally sustained, amount to approximately $1,250,000. Of this sum, $1,035,600 results from a proposal to convert the tax accounting method of the two cash basis subsidiaries to the accrual method. This amount is already provided on the accompanying balance sheet under deferred income taxes relating to timing differences. However, the Company disagrees with substantially all of the proposed deficiencies, including the change of the tax accounting methods, and is presently engaged in administrative appeal within the Internal Revenue Service.

TAXES ON UNDISTRIBUTED EARNINGS

APB Opinion No. 23 stipulates that income taxes should be accrued for undistributed earnings of subsidiaries and corporate joint ventures included in consolidated earnings and that such accruals should be accounted for as timing differences. If there is evidence that the undistributed earnings of a subsidiary or corporate joint venture will not be transferred to the investor, income taxes should not be accrued, but disclosures should be made as to the reason for not accruing taxes (earnings will be reinvested or remitted in the form of a tax-free liquidation) and as to the cumulative amount of undistributed earnings. With regard to the undistributed earnings of other investees which are included in consolidated earnings, *APB Opinion No. 24* stipulates that income taxes should be accrued and treated as a timing difference. Both of the aforementioned Opinions, issued in April 1972, are effective for fiscal periods beginning after December 31, 1971 and accordingly applied for the first time to many but not all of the reports included in this survey.

An Accounting Interpretation of *Opinion No. 23*, published in the March 1973 issue of *The Journal of Accountancy*, states:

> Question—Paragraph 14-b of APB Opinion No. 23 requires disclosure of the cumulative amount of undistributed earnings of a subsidiary on which the parent company has not accrued income taxes. Is the amount to be disclosed the total amount of undistributed earnings on which income taxes have not been accrued or may an amount that will not be taxed, with appropriate tax planning under existing statutes, be excluded?
>
> Interpretation—The amount to be disclosed under paragraph 14-b is the cumulative undistributed earnings which under existing law would be subject to income taxes if distributed currently but for which the parent company has not accrued income taxes. If under existing law, however, a short-term postponement of the distribution would permit the earnings to be distributed tax-free to the parent, those earnings need not be included in the amount disclosed. Thus, for example, the amount disclosed would include that portion of the undistributed earnings of a DISC subsidiary on which tax has not been accrued, the undistributed earnings of a foreign subsidiary on which tax has not been accrued and the tax would not be offset by an available foreign tax credit, and the undistributed earnings of a less than 80 per cent owned domestic subsidiary.
>
> The amount disclosed would not include the undistributed earnings of an 80 per cent or more owned domestic subsidiary that is included in a consolidated income tax return, or where the parent has elected a single surtax exemption for all members of an affiliated group which file separate tax returns, since a dividend paid from those earnings would be eligible for the 100 per cent dividends-received deduction. Likewise, the undistributed earnings of a subsidiary that is expected to be remitted to the parent company in a tax-free liquidation would not be included in the amount disclosed.
>
> The undistributed earnings of an 80 per cent or more owned domestic subsidiary that files a separate tax return with multiple surtax exemptions for the affiliated group should not be included in the amount disclosed in most situations. Under present law, dividends paid out of earnings accumulated after 1974 will be eligible for the 100 per cent dividends-received deduction. Income taxes should, however, be accrued for any pre-1975 multiple surtax year accumulated earnings which are not considered to be invested for an indefinite period of time when the tax planning alternatives of filing a consolidated return or a tax-free liquidation are not practical. In the unusual situations when pre-1975 accumulated undistributed earnings are considered invested for an indefinite period of time and the consolidated return and tax-free liquidation alternatives are not practical, such pre-1975 accumulated undistributed earnings should be included in the amount to be disclosed.
>
> Care should be exercised in drafting the footnote required by paragraph 14-b of APB Opinion No. 23 so that readers may be fully apprised of tax implications of unremitted earnings of subsidiaries. The following is illustrative:
>
> "It is the policy of the company to accrue appropriate U.S. and foreign income taxes on earnings of subsidiary companies which are intended to be remitted to the parent company in the near future. Unremitted earnings of subsidiaries which have been, or are intended to be, permanently reinvested (disclosure of purpose), exclusive of those amounts which if remitted in the near future would result in little or no such tax by operation of relevant statutes currently in effect, aggregated $ at December 31, 1972."

Accounting policies used for undistributed earnings as well as reasons for nonaccrual of taxes on undistributed earnings are shown in Table 3-19. In addition to the information presented in Table 3-19, 140 companies disclosed the cumulative amount of undistributed earnings. Examples of disclosures concerning the accrual or nonaccrual of taxes on undistributed earnings follow. Examples of disclosures for companies changing their accounting policy to conform to Opinion Nos. 23 and 24 are presented in connection with Table 4-5.

TABLE 3-19: TAXES ON UNDISTRIBUTED EARNINGS

	1972	1971	1970	1969
Accrual for taxes	132	33	32	26
No accrual for taxes	176	77	51	51
No indication of policy	224	425	443	431
Subtotal	**532**	**535**	**526**	**508**
No indication of undistributed earnings (no consolidated subsidiaries and/or no investees carried at equity)	68	65	74	92
Total Companies	600	600	600	600

Reasons cited for non accrual of taxes on undistributed earnings– 1972

	Subsidiary Or Joint Venture	Other Investees	Total
Earnings to be reinvested	213	23	236
Earnings will be remitted in a tax free distribution	11	2	13
Other reasons	35	4	39
No reason given	10	1	11
Total Presentations	**269**	**30**	**299**

Accrual For Taxes

AMERICAN CHAIN & CABLE COMPANY, INC. (DEC)

Notes to Financial Statements

Note 1 (in part): The Company provides deferred taxes for timing differences in the recognition of certain costs and expenses, principally accelerated depreciation and charges related to discontinued operations, for book and tax purposes. The Company also provides for applicable U.S. income and local withholding taxes on undistributed earnings of foreign subsidiaries which will be remitted to the U. S. Such taxes are not provided on undistributed foreign earnings which will be permanently reinvested. As of December 31, 1972, consolidated earnings retained in the business include approximately $13,500,000 of undistributed foreign earnings which have been permanently reinvested.

BAKER OIL TOOLS, INC. (SEP)

Notes to Financial Statements

Note 3: Taxes Based on Income—The future income tax benefits and deferred tax liability at September 30, 1972 and 1971 result primarily from timing differences between the financial and tax reporting of depreciation, inventory obsolescence and United States income taxes on foreign earnings. The net deferred tax provision for the years ended September 30, 1972 and 1971 totaled $797,000 and $90,000, respectively.

The total provision for taxes based on income, as a percentage of pre-tax income, fluctuates from customary effective tax rates due primarily to changing levels of earnings applicable to foreign operations subject to lower tax rates and the reduction of the provision to reflect investment tax credits ($347,000 and $22,000 for 1972 and 1971, respectively) accounted for by using the flow through method.

The Company has provided for taxes on all contemplated repatriations of earnings applicable to foreign operations. At September 30, 1972, foreign earnings which have not been repatriated aggregated $11,609,000 (net of foreign taxes paid on such earnings of $4,428,000). The Company has provided an aggregate of $1,178,000 for United States income taxes on foreign earnings not repatriated and, in general, is entitled to a credit against United States income taxes equivalent to foreign taxes paid.

HEWLETT-PACKARD COMPANY (OCT)

	(000)
Provision for federal and foreign taxes on income (net of investment tax credit of $664 in 1972 and $146 in 1971 and including $2,088 of deferred taxes on income in 1972) (note 3)	$32,579

Note 3: Federal income taxes—Federal income tax returns of the Company for the two years ended October 31, 1968 have been reviewed by the Internal Revenue Service. The Company has agreed to certain proposed adjustments. Although such adjustments, other than the one described in note 1 above, are not considered to be material, they result in additional income and related income tax applicable to 1967 and 1968. The income tax benefits therefrom have been substantially realized by 1972. With respect to certain other proposed adjustments, management is of the opinion that they are erroneous and will contest them when or if made. The Company has also filed claims for refund of taxes already paid and charged against income for certain years prior to 1967. Pending further clarification of the issues, no provision has been made for these contingencies.

It is believed that the accumulated earnings of foreign subsidiaries, aggregating $42,877,000 and $34,246,000 at October 31, 1972 and 1971 respectively, will be required for use in their operations. Accordingly, no provision has been made for domestic taxes on income which would accrue upon return of such earnings to the Company.

The Company has provided deferred taxes on income in recognition of timing differences between income reported for tax and financial purposes which relate principally to the income of its Domestic International Sales Company (DISC).

MERCK & CO., INC. (DEC)

Notes to Financial Statements

Taxes on Income—The 1972 effective tax rate on income declined due to a number of complex tax factors, including the operation of a new plant in Puerto Rico and the implementation of a Domestic International Sales Corporation (DISC).

Provisions have been made for deferred income taxes where differences exist between the time in which transactions affect taxable income and the time they enter into the determination of income for financial statement purposes. Taxes on income in the statements of consolidated income are more than amounts estimated to be payable or paid by $9,285,000 for 1972, and $4,961,000 for 1971, to give effect to such timing differences. At December 31, 1972, the accumulated total of these net timing differences included in current assets was $18,893,000.

Company policy with respect to earnings of foreign subsidiaries has been to provide currently for any tax that would be payable on the anticipated distribution of such earnings as dividends to the parent company. Since the Company's initial investment abroad, $222,000,000 of foreign and United States income taxes have been paid on foreign and DISC earnings of $540,000,000. As of December 31, 1972, earnings of $164,000,000 have been retained by these companies for permanent investment. Accordingly, no provision has been made for additional taxes that would be payable on these earnings upon remittance.

The investment tax credit, which was applied as a reduction of taxes on income, amounted to $1,776,000 in 1972, and $846,000 in 1971.

REYNOLDS METALS COMPANY (DEC)

Notes to Consolidated Financial Statements

Note N: Taxes on Income—This amount comprised the following:

($ Thousands)

	1972	1971
Federal – current	($959)	($12,374)
State	660	1,056
Foreign	7,661	10,697
Deferred	(12,687)	520
	($5,325)	**($101)**

The 1971 credit arose principally from the carry-back to a prior year of the 1971 loss for tax purposes, and to the resultant reversal of amounts provided in prior years. Taxes on income reflect investment tax credits (on the flow-through method) arising in 1972 and 1971, in the approximate amounts of $1,900,000 and $1,100,000, respectively, and deductions relating to percentage depletion and Western Hemisphere trade corporation income.

Depreciation for income tax purposes has been computed in part under various methods other than straight-line, and resulting tax differences have been accounted for in the deferred tax provision.

As a result of the issuance of Opinions by the Accounting Principles Board of the American Institute of Certified Public Accountants, in 1972, the Company retroactively provided deferred income taxes on undistributed earnings of certain subsidiaries and associated companies. Prior thereto, income taxes were provided only as earnings were distributed to the Company. This change had the effect of decreasing net income for 1972 and 1971 by $474,000 and $340,000, respectively ($.03 and $.02 per share). The amount of undistributed earnings not taxed, the remittance of which is expected to be indefinitely postponed, was immaterial after exclusion of unremitted earnings of domestic tax-consolidated subsidiaries and those earnings which will be remitted in tax-free form.

No Accrual For Taxes

BLUE BELL, INC. (SEP)

Notes to Financial Statements

Note 3: Income Taxes—The effective consolidated income tax rate is lower than prevailing domestic rates primarily due to earnings from international operations taxed at lower rates and to earnings exempt from taxation by governments outside the United States.

The cumulative amount of undistributed earnings of subsidiaries at September 30, 1972 on which the Company has not provided for United States income taxes which may become due if such earnings were distributed to the Company is approximately $15,200,000.

Under existing income tax laws utilizing available foreign tax credits or deductions and tax-free liquidations of subsidiaries, where appropriate, if all undistributed earnings of subsidiaries were distributed to the Company, additional income taxes of approximately $1,900,000 would be payable on earnings accumulated to September 30, 1972. Such taxes have not been provided since the Company intends to continue investing the related accumulated earnings outside the United States.

CARRIER CORPORATION (OCT)

Notes to Consolidated Financial Statements

Income Taxes (in part)—Income taxes currently payable differ from the provision for income taxes as a result of accelerated depreciation and the nondeductibility of provisions for extended-term product guarantees and other reserves until such costs are incurred. Taxes payable exceeded the provision by $2,024,000 in 1972 and were $3,072,000 less than the provision in 1971.

Federal income taxes of approximately $800.000 for the year ended October 31, 1972 have not been provided on the earnings of a Domestic International Sales Corporation since the Corporation intends to reinvest such earnings permanently in export related activities.

Applicable Federal income and foreign withholding taxes have been provided on earnings of certain foreign subsidiaries which remit dividends to the Corporation. Income taxes (primarily foreign withholding taxes) of approximately $1,800,000 at October 31, 1972 have not been provided on the remaining $26,700,000 of undistributed earnings of foreign subsidiaries since the Corporation intends to reinvest these earnings in the foreign operations.

CONTROL DATA CORPORATION

Notes to Consolidated Financial Statements

Note A (in part): Income Taxes—The Company and Commercial Credit Company and their eligible subsidiaries file a consolidated federal income tax return. Certain expense and income items, such as depreciation of computing systems, revenues from noncancellable long-term lease contracts, revenues from installment sales, start-up costs related to placing developed standard products into production, and costs incurred in the manufacture of standard software products, are recognized for tax purposes in different years from those in which they are recognized in the financial statements with appropriate recognition of deferred income taxes. Income taxes paid on taxable income related to intercompany profit on sales of equipment to international subsidiaries are deferred until such income is realized. Investment tax credits are deferred and amortized over the approximate depreciable lives of the related assets.

No provision was made in 1972 or 1971 for U.S. income taxes on unremitted earnings of international subsidiaries, nor was provision made for U.S. income tax on the tax-deferred portion of the undistributed earnings of Control Data International Sales Corporation, a subsidiary that qualifies as a "Domestic International Sales Corporation" (DISC) under the U.S. Internal Revenue

Code. The Company has specific plans for reinvestment of such earnings, and remittance thereof is postponed indefinitely.

Note D: Income Taxes—Recoverable income taxes in the accompanying balance sheet include $256,000 in 1972 and $6,230,000 in 1971 collectible from Commercial Credit Company and certain of its subsidiaries for the benefit of the Company's tax loss to be utilized in the consolidated tax return. The balance of recoverable income taxes represents amounts estimated to be refundable from the Federal government.

The provisions for Federal, state and foreign income taxes (credit) appearing in the statements of consolidated earnings consist of the following:

	($ Thousands)	
	1972	**1971**
Federal Income Taxes:		
Current	$(15,418)	$(25,808)
Deferred	7,215	6,409
State and foreign income taxes including deferred of ($462) and $4,280, respectively	17,763	6,598
	$9,560	**($12,801)**

Foreign income taxes have been increased by $3,093,000 in 1972 and $544,000 in 1971 to reflect the effect of tax credits, obtained principally from the carryforward of net operating losses of certain international subsidiaries, classified as extraordinary items.

The cumulative amount of undistributed earnings of international subsidiaries (including the Company's Domestic International Sales Corporation) on which the Company has not provided U.S. income taxes aggregated approximately $35,135,000 at December 31, 1972. If all such accumulated earnings were distributed, the resulting additional income taxes would approximate $4,229,000 (which represents, principally, the difference between U.S. and foreign tax rates and tax credits).

Amortization of investment tax credits amounted to approximately $1,081,000 in 1972 and $899,000 in 1971.

HERCULES INCORPORATED (DEC)

	1972	1971
	($ thousands)	
Income before taxes on income	$127,021	$93,967
U.S., foreign and state taxes on income	56,595	40,588
Income Before Extraordinary Item	**$70,426**	**$53,379**

Summary of Significant Accounting Policies

Taxes on Income—Hercules and certain consolidated subsidiaries use accelerated depreciation methods for income tax purposes. Deferred U.S. and foreign taxes on income are due to timing differences between amounts reported for financial accounting and income tax purposes and are applicable principally to depreciation, insurance and pensions.

Investment tax credits are accounted for as a reduction of income tax expense in the year allowable for tax purposes.

Since it is Hercules' present intention to reinvest the undistributed earnings of subsidiaries and affiliated companies, no provision has been made for U.S. income taxes on these earnings.

Notes to Financial Statements

Note 4: U.S., Foreign and State Taxes on Income—Provision for taxes on income is as follows:

	Dec 31, 1972	**Dec 31, 1971**
U.S. income taxes currently payable	$46,402,000	$30,218,000
Foreign income taxes currently payable	7,980,000	4,605,000
State income taxes	3,172,000	1,632,000
Deferred U.S. income taxes	651,000	3,471,000
Deferred foreign income taxes	790,000	1,096,000
Investment tax credits	(2,400,000)	(434,000)
Total	**$56,595,000**	**$40,588,000**

The undistributed earnings of subsidiaries and affiliated companies on which no provision for U.S. income taxes has been made amounted to $53,847,000 at December 31, 1972. U.S. and foreign income taxes which would be payable if such earnings were distributed (based on current tax rates, reduced by foreign tax credits) would approximate $7,500,000.

LOWE'S COMPANIES, INC. (JUL)

Notes to Financial Statements

Note 4: Income Taxes—Agents of the Internal Revenue Service have completed audits of the Company and its subsidiaries for all years ending within the fiscal years July 31, 1965 through July 31, 1971. Subsequent to July 31, 1972, agreements have been reached with the Service covering all Federal income tax liabilities of the Company and its subsidiaries for all years through July 31, 1971. Provisions are adequate to cover the assessments for the years under examination.

The Company and its subsidiaries have followed the practice of filing separate Federal income tax returns using multiple surtax exemptions as provided for under the Internal Revenue Code of 1954. This procedure has been approved by the Internal Revenue Service for the year ended July 31, 1971 and all prior years. Under the Tax Reform Act of 1969 a corporation and its subsidiaries will be limited to one $25,000 surtax exemption for all years beginning after December 31, 1974. The Act provides for a phase out of the additional exemptions over a six-year period beginning January 1, 1970. With the present number of subsidiaries, the phase out provisions could increase the consolidated Federal income taxes of the Company and its subsidiaries approximately $70,000 each year through July 31, 1975.

Accounting Principles Board Opinion 23 requires the parent company to make provisions for income taxes on subsidiary undistributed earnings, which are available for remittance to the parent company. Income tax provisions covering approximately $5,300,000 of undistributed subsidiary earnings have been made by the Company. It is the opinion of management that remittance to the Company of the remaining undistributed subsidiary earnings approximating $28,300,000 will be indefinitely postponed and consequently no provision has been made for income taxes on these earnings.

Investment tax credit flow through for the years was not material.

PACIFIC SCIENTIFIC COMPANY (DEC)

Notes to Financial Statements

Note 2: Domestic International Sales Corporation—In 1972, the Company formed a new subsidiary, Pacific Scientific International, Inc. (DISC), a "Domestic International Sales Corporation," a new type of corporation given certain tax advantages under the Revenue Act of 1971. DISC itself is exempt from United States income taxes; however, 50% of its taxable income each year is taxable to its stockholder and tax on the remaining 50% of taxable income is deferred as long as certain tests are met and the income is not distributed, the DISC is not liquidated, or the stockholder does not sell the stock. No provision has been made with respect to the 50% deferred portion since the Company does not intend to subject such accumulated income to United States income taxes. The undistributed earnings of DISC in 1972, as to which the Company has not made a provision for United States income taxes, amounted to $44,507.

STEAK n SHAKE, INC. (SEP)

Notes to Consolidated Financial Statements

Note 4 (in part): Federal Income Taxes—Federal income tax returns of the Company and certain of its subsidiaries have been examined by the Internal Revenue Service for years through September 30, 1970 and all assessments have been paid.

The investment tax credit, including amortization of credits arising prior to the 1971 Revenue Act, has reduced the provision for income taxes by approximately $61,000 and $10,000 in 1972 and 1971, respectively.

During the year ended September 30, 1972 certain subsidiaries were merged or liquidated into the Company. In addition, the Company intends to further simplify its corporate structure by liquidating or merging substantially all of its remaining subsidiaries. It is anticipated that this will be accomplished through tax-free transactions prior to December 31, 1972. In view of the intention to transfer the cumulative undistributed earnings of the subsidiaries, totaling $2,750,000, on a tax-free basis to the Company, no provision for deferred federal income taxes has been made on such undistributed earnings. Deferred federal income taxes of approximately $90,000, which were provided on the undistributed earnings of subsidiaries in prior years, have been reversed during the current year by a reduction of the provision for federal income taxes.

EXCISE TAXES

Thirty-six companies referred to excise taxes in their 1972 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 AMALGAMATED SUGAR COMPANY (SEP)

COST OF SALES AND EXPENSES:	
Cost of sales (including federal excise tax on sugar: 1972, $4,691,000)	$ 87.623,000
Selling, general and administrative expenses	18.965,000
Interest expense	761,000
Miscellaneous expenses	186,000
	$107,535,000

THE AMERICAN DISTILLING COMPANY (SEP)

SALES:	
Gross including excise taxes	$148,382,435
Less excise taxes	111,511,453
Net sales	**$36,870,982**

THE FIRESTONE TIRE & RUBBER COMPANY

Financial Review

Taxes were as follows:

	($ thousands)
Income (Less $6.500 Investment Credit in 1972)	$114,200
Excise	218,664
Social Security	41,991
Property and Miscellaneous	32,196
	$407,051

LIGGETT & MYERS INCORPORATED (DEC)

REVENUES	
Net sales (including excise taxes: 1972. $155,410,733)	$753.627,611
Royalties and other operating revenues	2.623,267
Total	**$756,250,878**

PABST BREWING COMPANY (DEC)

	($ millions)
Sales	**$448,286**
Costs and expenses	
Cost of goods sold	243,975
Federal excise taxes	112,651
Marketing, general and administrative expenses	38,933
	395,559
Operating Income	**$ 52,727**

STANDARD OIL COMPANY OF CALIFORNIA (DEC)

	($ thousands)
REVENUES:	
Sales and other operating revenues (incl. excise taxes)	$6,476,693
Equity in net income of certain affiliated companies	232,163
Other income	37,406
	6,746,262
COSTS AND OTHER DEDUCTIONS:	
Purchased crude oil and products	2,361,321
Operating expenses	1,222,047
Selling, general and administrative expenses	497,931
Depreciation, depletion and amortization	376,980
Taxes	1,668,113
Interest and debt expense	72,800
	$6,199,192

Notes to Financial Statements

Taxes

	($ thousands)
Excise taxes on petroleum products and merchandise	$ 647,206
Federal and other taxes based on income	394,300
Property, production, import duties and other taxes	626,607
Total	**$1,668,113**

FOREIGN OPERATIONS

Chapter 12 of *ARB No. 43* and paragraph 18 of *APB Opinion No. 6* present a summary of generally accepted accounting principles pertaining to the treatment of foreign exchange.

TRANSLATION OF FOREIGN CURRENCY

Table 3-20 shows the terms used by those survey companies referring to foreign operations to describe the translation of foreign currency accounts into United States dollars.

TABLE 3-20: FOREIGN OPERATIONS—TRANSLATION TERMINOLOGY

	1972	1971	1970	1969
Translated	319	237	159	137
Converted	29	28	38	45
Stated or expressed	16	15	18	21
Included	9	8	9	11
Other term	--	2	3	4
Using descriptive term	**373**	**290**	**227**	**218**
No descriptive term	63	125	219	239
No reference to foreign operations	164	185	154	143
Total Companies	**600**	**600**	**600**	**600**

Translated

ADMIRAL CORPORATION (DEC)

Summary of Accounting Policies

Translation of Accounts Maintained in Foreign Currencies into U.S. dollars is carried out for current assets and liabilities by applying year-end exchange rates, for all other assets and liabilities by applying rates prevailing when they were acquired or incurred, and for income and expense items at average rates of exchange prevailing during the year, except depreciation which is translated at the rates prevailing when the properties were acquired. Gains resulting from these translation procedures are deferred except to the extent of previously recognized losses. Losses are offset against net deferred gains; the excess of losses, if any, is charged against income as incurred. Operations for 1972 and 1971 were not significantly affected by the translation of foreign currency accounts.

CHAMPION SPARK PLUG COMPANY (DEC)

Accounting Policies

Translation of Financial Statements of Companies Outside the United States—The financial statements of companies outside the United States have been translated into United States dollars as follows: current assets and liabilities at year end exchange rates; property, non-current assets and liabilities, and long-term debt at rates prevailing at dates of transactions; income and expenses at weighted average rates in effect during the year except that depreciation charges are translated at exchange rates prevailing when the related assets were acquired. Translation gains are generally deferred, while losses are reflected currently in consolidated net earnings.

Financial Review

Foreign Subsidiaries—The following summarizes combined financial data of foreign subsidiaries included in consolidation, net of minority interests:

	1972	**1971**
	($ thousands)	
Net sales	$101,966	$83,602
Net earnings	11,232	8,778
Dividends (eliminated in consolidation)	5,925	3,743
Net assets	$ 45,783	$39,573

In 1972, a wholly-owned Brazilian subsidiary was consolidated for the first time. This change would not have materially affected prior years' earnings and they have not been restated.

Unremitted earnings of subsidiaries which have been, or are intended to be, permanently reinvested in the foreign operations, exclusive of those amounts which if remitted in the near future would result in little or no U.S. income tax by operation of relevant statutes currently in effect, aggregated approximately $31,000,000 at December 31, 1972.

Deferred gains resulting from translation of working capital of foreign subsidiaries amounted to $1,087,000 at the end of 1972 as compared to $923,500 at the end of 1971. Other gains or losses arising from translating foreign currencies were not significant in either year.

The realignment of currencies which occurred in February, 1973 as the result of the 10% devaluation of the U.S. dollar has not been reflected in the accompanying financial statements. Had the realignment taken place during December, 1972, it would not have had a significant effect on the financial statements.

SWIFT & COMPANY (OCT)

Statement of Accounting Policies

Foreign currency translation—The accounts of the foreign subsidiaries, principally Canadian, British and Continental European companies, and affiliated companies are translated into U.S. dollars based generally on (1) current exchange rates for monetary assets and liabilities, (2) historical exchange rates for nonmonetary assets and allowances and stockholders' equity, and (3) average exchange rates for revenues, costs and expenses (other than depreciation and depletion), and income taxes. The resulting gains and losses are included in net earnings.

WHITE MOTOR CORPORATION (DEC)

Accounting Policies

Currency Translation—Financial statements of foreign subsidiaries are translated into United States dollar equivalents as follows: inventories at the lower of exchange rates in effect at dates of acquisition or exchange rates prevailing at balance sheet dates; properties at exchange rates in effect at dates of acquisition; other balance sheet accounts at exchange rates prevailing at balance sheet dates; revenues and expenses at average exchange rates for the year, except for depreciation and amortization which are at historical exchange rates. Unrealized translation gains and losses are reflected as extraordinary items when caused by currency devaluations and revaluations, and are included in other income when related to market fluctuations. Realized currency exchange gains and losses are included in other income.

Notes to Consolidated Financial Statements

Note A (in part): Consolidation—Translation gains and losses relating to market fluctuations were not material in 1972 and 1971. However, the loss in 1971 from translation of the financial statements of the Corporation's Italian subsidiary was included in the statement of operations as an extraordinary charge.

Stated Or Expressed

ANDERSON, CLAYTON & CO. (JUN)

Notes to Consolidated Financial Statements

Foreign Exchange Rates—The accounts of foreign subsidiaries are stated in U.S. dollars at official or recognized free market rates of exchange,except that property, plant and equipment and certain other items are stated at the fixed dollar values determined at official or free market rates at the time of acquisition. Exchange adjustments resulting from differences in the rates used at the beginning and the end of the fiscal year are included in the statement of income.

Included

CROWN CORK & SEAL COMPANY, INC. (DEC)

	1972	1971
	($ Thousands)	
Income from Operations after Taxes on Income	$32,453	$30,111
Less: Net income applicable to minority interest	(897)	(660)
Unrealized exchange losses	(363)	(977)
Net Income	**$31,193**	**$28,474**

Notes to Consolidated Financial Statements

Note A (in part): The accounts of the company's foreign subsidiaries have been expressed in U.S. dollars at rates of exchange prevailing at the end of the year except plant, equipment and depreciation which have been expressed in U.S. dollars at rates,of exchange prevailing at the time the assets were acquired. The unrealized gain or loss arising from translation of foreign currencies to U.S. dollars has been consistently included in income.

GENERAL FOODS CORPORATION (MAR)

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 1972. The 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
		($ thousands)		
Working Capital	S 25.603	$ 7,640	$12,785	$ 46.028
Land. buildings. equipment	70,374	15.154	26,532	112.060
Other assets*	27,382	5.485	10,202	43,069
	123,359	**28,279**	**49,519**	**201,157**
Less non-current liabilities	17,549	4,306	4,361	26,216
Excess of assets over liabilities	**$105,810**	**$23,973**	**$45,158**	**$174,941**

*Includes goodwill of $40,056,000 which is included in the goodwill of $92,284,000 shown in the Consolidated Balance Sheet.

Net sales of $382,915,000 and $306,317,000 and net earnings of $3,529,000 and $8,132,000 are attributable to operations in these areas during fiscal 1972 and 1971, respectively.

TABLE 3-21: TRANSLATION ADJUSTMENTS

	1972	1971	1970
Reason			
British pound devaluation	11	--	--
U.S. dollar devaluation	4	40	--
Latin America	4	5	5
Canada	2	8	14
Western Europe	2	--	7
Other– identified	2	1	7
Not identified	69	87	33
Total Adjustments	**94**	**141**	**66**
Accounting Treatment			
Ordinary charge or credit	33	44	29
Extraordinary charge or credit to income	14	35	7
Deferred	19	47	N/C
Charged to reserve	28	15	23
Other	--	--	7
Total Adjustments	**94**	**141**	**66**
Number of Companies			
Disclosing foreign exchange adjustments	80	124	52
Not disclosing	520	476	548
Total	**600**	**600**	**600**

N/C– Not Compiled.

TRANSLATION ADJUSTMENTS

Table 3-21 shows that many of the companies disclosing translation adjustments did not identify the reason for such an adjustment. Excluded from Table 3-21 are a large number of companies (184 in 1972, 52 in 1971, and 32 in 1970) which stated their translation policies but did not disclose an actual gain or loss from translation of foreign accounts into U.S. dollars.

APB Opinion No. 9, 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. *APB Opinion No. 30*, issued in June 1973 and effective for events and transactions occurring after September 30, 1973, states that "gains or losses from exchange or translation of foreign currencies, including those relating to major devaluations and revaluations" should not be reported as extraordinary items.

Examples of translation adjustments follow. See Table 1-22 for additional examples of disclosures concerning the February 1973 devaluation of the U.S. dollar.

Income Charge Or Credit

THE CARBORUNDUM COMPANY (DEC)

	1972	1971
	($ thousands)	
Operating Income	**$32,302**	**$20,547**
OTHER INCOME AND (EXPENSE)		
Royalties, interest and other income	2,748	2,561
Interest expense	(3,792)	(4,484)
Equity in net income of partly owned companies	1,223	1,102
Foreign exchange adjustments	(1,065)	1,933
Total other income and (expense)	**(886)**	**1,112**
Income before taxes on income and extraordinary loss	**$31,416**	**$21,659**

Financial Review

Summary of Significant Accounting Policies (in part)—Property, plant and equipment and related depreciation accounts of foreign subsidiaries are translated based upon rates of exchange prevailing when the assets were acquired. Other asset and liability accounts are generally translated at exchange rates prevailing at the end of the year, and income and expenses other than depreciation are generally translated at rates prevailing during the year. Adjustments resulting from translation of foreign currencies are reflected in income.

Sales and Net Income (in part)—Foreign exchange adjustments resulting principally from the decline in value of sterling in relation to the dollar produced a loss of $1.1 million or $.29 per share in 1972. Net income for 1971 included a $1.9 million or $.53 per share gain that resulted from realignments of international currencies.

GENERAL MOTORS CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Translation of Foreign Currencies—Real estate, plants and equipment, accumulated depreciation and obsolescence and the provision for depreciation and obsolescence are translated into United States dollars at exchange rates in effect at the dates the related assets were acquired. Other assets and liabilities, deferred credits and reserves are translated at exchange rates in effect at the date of the balance sheet; other items of income and expense are translated at average exchange rates for the months in which the transactions occurred. Accumulated unrealized net loss from translation of foreign currency accounts of any foreign subsidiary is charged to income and accumulated unrealized net gain is deferred.

Note 2: Other Income Less Sundry Income Deductions

	1972	1971
	($ thousands)	
OTHER INCOME:		
Interest income	$135,375	$81,223
Other	20,538	19,758
SUNDRY INCOME DEDUCTIONS:		
Interest and related charges on long-term debt	(46,771)	(26,355)
Other interest	(28,191)	(29,304)
Gain (Loss) on translation of financial statements in foreign currencies—net	482	(27,783)
Other	(10,389)	(53,980)
Net	**$ 71,045**	**($36,441)**

THE HOBART MANUFACTURING COMPANY (DEC)

Notes to Consolidated Financial Statements

Consolidation—The financial statements include the accounts of The Hobart Manufacturing Company and all of its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Assets and liabilities of foreign subsidiaries were translated into United States dollars at year-end exchange rates except that property, plant and equipment, accumulated depreciation, inventories and certain other assets and liabilities were translated at historical costs. Income and expenses, other than depreciation, were translated into dollars at average exchange rates for the year.

The consolidated financial statements include net assets of $23,290,000 in 1972 and $19,855,000 in 1971, applicable to operations outside the United States.

Foreign exchange gains or losses, including those arising from the translation of foreign currencies into U.S. dollars, resulted in credits to consolidated net income totaling $350,000 in 1972 and $131,000 in 1971.

THE NATIONAL CASH REGISTER COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies—Accounts of all United States and international subsidiaries and branches are included in the consolidated financial statements. Results of international operations are translated into U.S. dollars at weighted average exchange rates. The financial position of the international operations is translated at year-end exchange rates, except for property and depreciation accounts which are stated at equivalent dollar cost at date of acquisition. The Company's international operations reserve is for the purpose of recognizing the risks associated with doing business in international areas, such as abnormal monetary fluctuations. Long-term investments in affiliated companies with 50% or less ownership are accounted for on the equity method.

Note 4: Domestic and International Operations—Below is a summary of the contributions of domestic and international operations to the consolidated results.

	1972	1971
	($ thousands)	
Revenues		
Domestic	$ 830,092	$ 778,853
International	727,607	686,848
	$1,557,699	**$1,465,701**
Operating Income		
Domestic	$ 70,811	$ 67,612
International	80,857	86,621
Inventory write-down and other charges	(134,744)	(34,399)
	16,924	**119,834**
Research and Development	59,061	51,981
Interest and Corporate Administrative	55,713	56,711
Income (Loss) Before Tax	**(97,850)**	**11,142**
Income Taxes	(43,646)	4,282
Net Income (Loss) from Operations	**(54,204)**	**6,860**
Minority interest	5,408	4,729
Net Income (Loss) for the Year	**$ (59,612)**	**$ 2,131**

Foreign exchange losses totaling $2,349,000 were charged against 1972 operations, and $1,874,000 was charged to the International Operations Reserve for the revaluations of the British pound and the Japanese yen. The effect of the 10% devaluation of the U.S. dollar announced on February 12, 1973 has not been reflected in the financial statements. Although the full impact of this change is not known at this time, it is not expected to have a significant effect on future results.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

Summary of Accounting Policies

Translation of Foreign Currency Accounts—The general procedures followed in translating foreign currency accounts into U.S. dollars are: (1) property, plant and equipment and related deferred charges at rates prevailing at acquisition; (2) other assets and liabilities at year-end rates; and (3) revenue and expenses at average rates during the year, except for the provisions for depreciation and amortization, which are based upon dollar equivalents of the related assets.

Adjustments resulting from translation of the accounts of companies having long-term debt are deferred to the extent that such adjustments do not exceed the amount applicable to the long-term debt. Translation adjustments relating to other foreign companies are aggregated and offset against the amount deferred. Translation adjustments not offset as described above are taken into income. The net amount deferred is amortized to income over the life of the long-term debt.

Notes to Financial Statements

Note 3: Foreign Currency Translation—Foreign currency translation losses of $625,000, including amortization of deferred translation adjustments, have been charged to 1972 income.

Unamortized deferred currency translation adjustments were $1,950,000 and $1,366,000 at December 31, 1972 and 1971, respectively. The amount deferred at December 31, 1972 will be amortized over the years 1973-1979.

WARNER-LAMBERT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Translation of Financial Statements of Foreign Currencies—Fixed assets and related depreciation and other non-current assets of foreign entities are translated at approximate rates of exchange in effect at dates of acquisition. Other assets and liabilities are translated at year-end rates. Results of operations, other than charges for depreciation and amortization of non-current assets, are translated at average rates of exchange in effect during the year. Foreign currency exchange gains and losses are reflected in net income in the year they arise, except that unrealized exchange gains are deferred to the extent not offset by unrealized exchange losses.

Note 2: International Operations—Warner-Lambert's international business accounts for approximately one third of Warner-Lambert's total sales and the net income contributed thereby accounts for a somewhat lesser percentage of total net income. At December 31, 1972 and 1971 consolidated foreign subsidiaries and branches had net current assets of $191,872,000 and $160,740,000 and total net assets of $305,654,000 and $277,663,000, respectively. Losses, net of gains, on foreign exchange reflected in net income totaled $1,811,000 in 1972 and $149,000 in 1971. Under the Company's accounting policy for foreign currency exchange gains and losses, the unrealized gain arising from the February 1973 realignment of international currencies in relation to the U.S. dollar will be deferred in 1973 to the extent not offset by unrealized foreign exchange losses.

Prior to 1972 the accounts of foreign subsidiaries and branches were consolidated on the basis of fiscal years ended December 31, except for the foreign entities of Parke-Davis and American Optical whose fiscal years generally ended on November 30. In 1972, the accounts of substantially all foreign subsidiaries and branches have been consolidated on the basis of fiscal years ended November 30; accordingly, operating results for the month of December 1971 of those entitites whose fiscal years were changed to November 30 are included in consolidated income in both 1972 and 1971 and are eliminated as an adjustment to consolidated retained earnings in 1972.

Deferred

ASSOCIATED PRODUCTS, INC. (MAY)

Notes to Consolidated Financial Statements

Note 1: Principles of Consolidation and Unconsolidated Foreign Subsidiaries—The consolidated financial statements include the accounts of the company and its domestic subsidiaries, all of which are wholly owned. All material intercompany accounts and transactions have been eliminated in consolidation. The excess of the Company's cost of investment in domestic subsidiaries over their net assets at dates of acquisition amounted to $6,620,386 and is not being amortized because the Company considers such excess to be of continuing value.

Investments in foreign subsidiaries, which in the aggregate are not significant, have not been consolidated. They are carried at the Company's equity in their underlying net assets which exceeds cost by $769,447 and $688,196 respectively at May 31, 1972 and May 31, 1971 before providing for U.S. income taxes on their undistributed earnings of $169,539 and $136,655, respectively.

The financial statements of foreign subsidiaries have been translated into United States dollars using rates of exchange in effect at year end for assets and liabilities, and average exchange rates for the year for operating results. As at May 31, 1972, an unrealized gain of $78,760 on translation of assets and liabilities at year end has been deferred pending future stabilization of exchange rates. Condensed financial information of the Company's unconsolidated foreign subsidiaries follows:

	1972	1971
Current assets	$1,168,758	$ 995,995
Plant and equipment, net of depreciation	33,636	28,099
Other assets	17,210	141
Total assets	**$1,219,604**	**$1,024,235**
Current liabilities	$ 113,579	$ 84,228
Reserve for future taxation	44,746	61,093
Deferred gain on translation of foreign currencies	78,760	---
Minority interest in subsidiaries	133,964	111,610
Total liabilities	**$ 371,049**	**$ 256,931**
Parent company equity	848,555	767,304
Total liabilities and equity	**$1,219,604**	**$1,024,235**
Sales and other revenue	$1,170,191	$1,060,367
Cost and expenses	$ 955,482	$ 883,342
Income taxes	64,982	68,421

AVCO CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 1 (in part): Foreign Exchange—At November 30, 1972, assets of $469,724,000 and liabilities of $45,497,000 of Avco's unconsolidated finance subsidiaries were represented by amounts to be settled in Canadian funds. 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 accounts were translated at the established rate. Canadian dollar accounts at November 30, 1970 were translated at

$1 Canadian = $.97 U.S., the rate prevailing during the period immediately following the June 1, 1970 "unpegging" of the Canadian dollar, and $17,131,000 of the resulting gain on translation was 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 likely to prevail between the Canadian and U.S. dollars. At November 30, 1971, the amount deferred at the end of 1970 (together with a $543,000 gain of Avco's insurance subsidiaries), less income taxes, was included in 1971 earnings as an extraordinary item on the basis that it represented a relatively permanent and basic adjustment in the relationship between the two currencies. Fluctuations subsequent to June 30, 1970 have not, in the opinion of management, been sufficiently indicative of a new level of exchange to justify their inclusion in earnings. Accordingly, Canadian dollar accounts at November 30, 1972 have been translated at the closing rate on that date ($1 Canadian = $1.01 U.S.) and the gain resulting from the increase in the relative value of the Canadian dollar above $.97 U.S. has been deferred in the statement of combined financial position pending future international monetary developments. Canadian dollar income and expense amounts have been translated at $1 Canadian = $.97 U.S. for the year ended November 30, 1971 and at the average rate of $1 Canadian = $1.01 U.S. for the year ended November 30, 1972. Approximately $1,444,000 of gain on translation of Australian dollar accounts at the rate prevailing at November 30, 1972 has also been deferred.

JOHNSON & JOHNSON (DEC)

Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of Johnson & Johnson and subsidiaries. All material intercompany accounts are eliminated.

Assets and liabilities of foreign subsidiaries are translated at 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 annual average rates. Translation gains not offset by losses are deferred and included in the Reserve for Foreign Exchange Losses.

Notes to Financial Statements

Note 1: Foreign Subsidiaries—The following amounts are included in the consolidated financial statements for subsidiaries located outside of the United States:

	1972	**1971**
	($ thousands)	
Current assets	$181,140	151,038
Current liabilities	99,729	83,923
Net property, plant and equipment	92,137	81,869
Parent company equity in net assets	157,225	129,385
Excess of equity of parent company over investment	129.229	102,811
Sales to customers	437,510	355,013
Net Earnings (after elimination of minority interest)	52.155	39.200

Analysis of the Reserve for Foreign Exchange Losses:

	1972	**1971**
	($ thousands)	
Balance Beginning of Period	$5,801	3,500
Gains on translation of asset and liability accounts	2,131	3,950
Losses on translation of asset and liability accounts	(1,780)	(1,649)
Net Increase	351	2,301
Balance End of Period	**$6,152**	**5,801**

Charge To Reserve

AMERICAN BRANDS, INC. (DEC)

Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all subsidiaries. Current assets and current liabilities of foreign subsidiaries are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates; other assets and liabilities and depreciation expense are translated at appropriate historical rates. Income and expenses, except for depreciation, are translated at the average rate for each year. In translating on this basis, unrealized gains in excess of current or prior years' unrealized losses are deferred as a reserve for future foreign exchange fluctuations; unrealized losses in excess of previously established reserves are charged to income.

Notes Accompanying Financial Statements

Consolidated Foreign Subsidiaries—The consolidated financial statements include the following amounts related to operations outside the Western Hemisphere:

	December 31	
	1972	**1971**
	($ thousands)	
Total assets	$486,956	$466,304
Total liabilities (excluding minority interest)	199,859	199,048
Minority interest	105,243	98,549
Net income	27.371	22,291

Translation of the accounts of foreign operations into U.S. dollars resulted in a $17,634,000 net unrealized loss, principally due to the decline of the British pound in 1972. After applying the $14,101,000 reserve created in 1971 from an unrealized gain and deducting from the net loss $1,207,000 thereof applicable to minority interest, $2,326,000 was charged to income in 1972.

THE HOOVER COMPANY (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Principles of Consolidation—The accounts of the Company and all its subsidiaries are included in the consolidated financial statements.

With respect to accounts of subsidiaries located outside the United States, inventories, property, plant, and equipment accounts and long-term notes payable are translated at the approximate rates of exchange at dates of acquisition or issuance. All other assets and liabilities are translated at the approximate year-end rates of exchange, and the operating accounts, except for depreciation, are translated at approximate average rates for the respective years. In 1971, a net gain of $5,469,338, including $2,211,865 applicable to minority interest, resulting from the translation of assets and liabilities at the new rates of exchange arising from the realignment of major currencies was deferred as a reserve for future realignment. In 1972, translation net loss amounted to $5,991,700, of which $5,469,338 was charged to the reserve for future realignment. Of the excess, $6,357 applicable to the majority interest was charged to current income and $516,005 applicable to the minority interest was charged directly to the minority interest in foreign subsidiaries. The translation loss for South American subsidiaries has been included in income for 1972 and 1971.

The effect of the devaluation of the United States dollar announced in February 1973 is estimated to be an increase in net assets of approximately $7,000,000, including $2,750,000 applicable to minority interest, based on the December 31, 1972 foreign currency accounts translated at foreign exchange rates quoted on February 20, 1973. This increase will be deferred in 1973 as a reserve for future currency realignments.

VEEDER INDUSTRIES INC. (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Principles of Consolidation—The consolidated financial statements include the accounts of the parent company and all of its wholly owned subsidiaries. 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.

New international monetary agreements in late December 1971 resulted in a devaluation of the dollar and the realignment of foreign currencies. Consequently, the appropriate accounts of the foreign subsidiaries and unconsolidated associate company were included in the consolidated balance sheet at December 31, 1971 at the new exchange rates. The Company elected not to reflect the unrealized gain of $239,781 as income for 1971 but recorded such amount as a reserve for future currency fluctuations and revaluations. Unrealized losses resulting from the translation of foreign currency in 1972 amounted to $226,014 which was charged against the reserve established in 1971. Accordingly, no unrealized amounts from translation have been charged to 1972 operations.

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. *ARB No. 45* discusses the accounting for long-term construction-type contracts and makes recommendations for the selection of the accounting method. Table 3-22 summarizes the methods of accounting used for long-term construction contracts.

Examples of disclosures regarding long-term construction-type contracts follow.

Percentage of Completion Method

THE BABCOCK & WILCOX COMPANY (DEC)

Summary of Significant Accounting Policies

Long-term contracts—A significant part of the company's business is done under contracts requiring long periods to perform, in many cases several years. For financial accounting purposes, the company records sales and cost of sales by the percentage of completion method related principally to shipments or, in the case of nuclear contracts, to incurred direct labor. Sales so recorded are carried in unbilled sales until invoiced to customers under terms of the contracts.

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 proportionate to the percentage of completion are reflected in the period when such estimates are revised.

Under the foregoing accounting for long-term contracts, inventories are stated at accumulated production costs less estimated costs of partial shipments. The amount at which such inventories are carried does not exceed realizable value. Progress payments applicable to these inventories are deducted for balance sheet presentation.

CURTISS-WRIGHT CORPORATION (DEC)

Consolidated Balance Sheet

CURRENT ASSETS:	
Receivables, including receivables from U.S. Government: 1972, $4,463,000	$48,683,000
Unbilled charges on long-term contracts	23,924,000
CURRENT LIABILITIES:	
Advances and billings in excess of costs and estimated earnings on incomplete projects	$ 9,358,000

Notes to Financial Statements

Note 1C: Accounting for Long-Term Contracts—The Corporation records sales on its long-term contracts generally on a percentage-of-completion basis, based upon current estimates of manufacturing costs to com-

TABLE 3-22: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	1972	1971	1970	1969
Percentage-of-completion	62	36	35	28
Completed contract	12	8	8	5
Not determinable	6	20	60	38
Referring to long-term contracts	**80**	**64**	**103**	**71**
Not referring to such contracts	520	536	497	529
Total Companies	**600**	**600**	**600**	**600**

plete such contracts. The contract price and estimated earnings are accrued and reflected as unbilled charges based on the percentage that costs to date bear to total estimated costs; 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 costs and earnings estimated during the course of the work are reflected during the accounting period in which the facts which require the revisions become known. (See the discussion of the Nuclear Component Operations on Page 10 of this annual report).

Nuclear Components (page 10)

In spite of severe start-up problems, which continued in 1972, the Nuclear Facility (which is engaged in the manufacture of military nuclear components at two plants, one in Wood-Ridge and one in Wallington, New Jersey, comprising more than 250,000 square feet) shipped a number of major components in the year just past, though falling behind planned deliveries. Substantially increased quantities are scheduled for delivery in 1973.

A substantial 1972 loss resulted from the long learning periods associated with the fabrication of nuclear components. The manufacturing cycles for this hardware cover several years and require the development of sophisticated manufacturing processes. A significant number of these processes were employed in 1972 on initial production and were, therefore, burdened with the high cost of methods development and tool prove-out associated with first-time operations. The recorded 1972 after tax loss was $7,120,000 covering losses on units completed, provisions for future losses based on current estimates of manufacturing costs to complete existing contracts, and 1972 general and administrative expenses.

During the year, improved processes were developed for manufacturing operations. Further, efficiencies at year-end showed improvement over those of a year earlier.

The operation is currently concentrating on the identification and recruiting of highly qualified personnel in both skilled technical areas and management systems areas.

NEPTUNE METER COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Method of Accounting for Income on Contracts—The Corporation's contract revenue is recorded on the percentage-of-completion method of accounting. Under this method, income is recognized by applying the percentage-of-completion to the projected total income. Revisions in cost and income estimates are reflected in the accounting period in which the facts that require the revision become known.

WHITE CONSOLIDATED INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note A (in part): Inventories—Inventories are priced at the lower of cost (principally first-in, first-out) or market.

Certain of the Corporation's subsidiaries record major long-term construction contracts by the percentage-of-completion method where income is recognized based on the estimated stage of completion of individual contracts as determined by the Corporation's engineers. Contract work in process represents the excess of accumulated costs and progress profits over billings on uncompleted contracts.

Completed Contract Method

CHICAGO BRIDGE & IRON COMPANY (DEC)

Consolidated Balance Sheets

CURRENT ASSETS:	
Contracts in progress with accumulated costs exceeding related progress billings (Note 1)–	
Accumulated costs	$ 74,095,323
Progress billings	(49,487,932)
CURRENT LIABILITIES:	
Contracts in progress with progress billings exceeding related accumulated costs (Note 1)–	
Progress billings	$326,434,965
Accumulated costs	(241,342,722)

Consolidated Statements of Income

INCOME:	
Contracts closed (Note 1)	$ 354,307,739
Costs of contracts closed (Note 1)	268,436,320
	$ 85,871,419

Note 1 (in part): The Company and its subsidiaries follow the completed contract method of accounting. Accordingly, the consolidated statements of income reflect sales prices and costs of contracts completed during the year. In addition, anticipated losses to be incurred on contracts in progress are charged to income as soon as such losses can be determined. Progress billings and costs of contracts not completed are deferred and reflected in the balance sheet.

THE GENERAL TIRE & RUBBER COMPANY (NOV)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part): Inventories—Inventories are stated at the lower of cost or market value. The last-in, first-out method is used for natural rubber and cotton inventories. The first-in, first-out or average cost methods are used for the remainder. The completed contract method is used to account for construction-type contracts. To the extent that estimated total contract costs are expected to exceed total sales price, charges are made to current earnings with a related reduction in work in process to estimated realizable value.

Work in process on fixed price and fixed price incentive production-type government contracts is stated at the total of direct costs and overhead applicable thereto, less the estimated average cost of deliveries based on the estimated total cost of each contract at completion. Under cost-type government contracts, charges are made to cost of sales when applicable costs are incurred and the related sales include such costs to the extent considered reimbursable, together with applicable fees based on the percentage of contract completion.

OTIS ELEVATOR COMPANY (DEC)

Consolidated Statement of Income and Earnings Retained

	($ thousands)
REVENUES:	
Contracts and orders completed ($787,165) and other revenue	$807,081
Interest income	4,415
Total	**$811,496**

Financial Review

Accounting Policies (in part): Revenue Accounting—Elevator and escalator installation and modernization contracts and automated diversified systems contracts are recorded in the consolidated statement of income on the completed contract method. Cost of contracts in progress includes standard cost of manufactured components, actual installation costs and apportioned administrative and sales overhead cost. Capitalized administration and sales overhead costs on contracts in progress are recorded as other revenue. Service contracts and orders are recorded in income as earned. Sales of industrial trucks, material handling equipment and personnel carriers are recorded in the consolidated statement of income as completed contracts on shipment to customers.

Orders Received—The 1972 bookings of contracts and orders shown below in the tabulation are again all-time highs for the consolidated companies. United States orders for 1972 of $384,979,000 are 12 percent over the 1971 total. International orders for 1972 of $496,587,000 increased 16 percent over the prior year.

	1972	**1971**
	($ thousands)	
UNITED STATES		
New Elevators and Escalators	$157,478	$147,760
Service and Maintenance	136,974	131,076
Export	115	489
Industrial Trucks	61,358	45,503
Diversified Operations	29,054	17,491
United States	**$384,979**	**$342,319**
INTERNATIONAL		
New elevators and escalators	$313,008	$278,430
Service and maintenance	162,397	135,619
Diversified operations	21,182	13,983
International	**$496,587**	**$428,032**
Total	**$881,566**	**$770,351**

Orders completed in 1972 totaled $787,165,000 compared with $708,282,000 in 1971. Uncompleted contracts at December 31, 1972 amount to $1,048,334,000 and the unbilled amount of such contracts is $551,945,000.

MINORITY INTERESTS

Table 3-23 shows that of the 228 survey companies indicating in their 1972 annual reports the existence of minority stockholder interest, 121 disclose in the income statement the amount of minority stockholders' equity. Examples of the presentation of minority interest are shown in connection with Table 2-43.

TABLE 3-23: MINORITY INTERESTS

	1972	**1971**	**1970**	**1969**
Shown among other expenses (*111,358,650)	55	63	52	53
Shown in separate section after income taxes (*31,199,535)	66	57	58	59
Minority interest exists, but amount not disclosed	107	104	94	97
Subtotal	**228**	**224**	**204**	**209**
No indication of minority interest	372	376	396	391
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 3-24: EQUITY IN EARNINGS OR LOSSES OF INVESTEES

	1972	1971	1970	1969
Shown among other income or expenses (*7,231,618)	159	119	91	78
Shown in separate section after income taxes (*25,188,511)	55	52	41	34
Disclosed in notes or elsewhere (*590,715)	35	24	22	43
Subtotal	**249**	**195**	**154**	**155**
Amount not disclosed	87	75	64	75
No investees at equity	264	330	382	370
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

EQUITY IN EARNINGS OR LOSSES OF INVESTEES

ARB No. 51, as amended by *APB 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." *APB Opinion No. 18—The Equity Method of Accounting for Investments in Common Stock,* issued in March 1971, 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 investment(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 3-24 shows that of the 249 survey companies disclosing an equity in the earnings or losses of investees, 214 make reference to such equity in the income statement. Examples of the presentation of equity in earnings or losses of investees are shown in the "Investments in Voting Stock of Investees" segment of Section 2.

DISCONTINUED OPERATIONS

Table 3-27, in a following section shows that the survey companies reported, as extraordinary items, 120 losses and 28 gains relating to disposals of business segments. This treatment, permitted under *APB Opinion No. 9,* will not be permitted under *APB Opinion No. 30—Reporting The Results Of Operations* which was issued in June 1973 and is effective for events and transactions occurring after September 30, 1973. *Opinion No. 30* states in part:

> 8. *Discontinued Operations of a Segment of a Business.* For purposes of this Opinion, the term *discontinued operations* refers to the operations of a segment of a business as defined in paragraph 13 that has been sold,abandoned,spun off, or otherwise disposed of or, although still operating, is the subject of a formal plan for disposal (see paragraph 14). The Board concludes that the results of continuing operations should be reported separately from discontinued operations and that any gain or loss from disposal of a segment of a business (determined in accordance with paragraphs 15 and 16) should be reported in conjunction with the related results of discontinued operations and not as an extraordinary item. Accordingly, operations of a segment that has been or will be discontinued should be separately reported as a component of income before extraordinary items and the cumulative effect of accounting changes (if applicable) in the following manner:

Income from continuing operations before income taxes	$xxx	
Provision for income taxes	xxx	
Income from continuing operations		$xxx
Discontinued operations (Note—):		
Income (loss) from operations of discontinued Division X (less applicable income taxes of $— — —)	$xxx	
Loss on disposal of Division X, including provision of $— — — for operating losses during phase-out period (less applicable income taxes of $— — —)	xxx	xxx
Net Income		**$xxx**

> Amounts of income taxes applicable to the results of discontinued operations and the gain or loss from disposal of the segment should be disclosed on the face of the income statement or in related notes. Revenues applicable to the discontinued operations should be separately disclosed in the related notes.

Since *Opinion No. 30* did not apply to the reports included in this survey, most material gains and losses

TABLE 3-25: OPERATING RESULTS OF DISCONTINUED OPERATIONS

	1972	1971	1970	1969
Shown among other income or expenses	11	13	9	7
Shown in separate section after income taxes	44	27	27	7
Not disclosed	77	97	69	33
Subtotal	**132**	**137**	**105**	**47**
No discontinued operations	468	463	495	553
Total Companies	**600**	**600**	**600**	**600**

from business segment disposals were reported as extraordinary items and consequently do not conform to the requirements stated in paragraph 8.

Table 3-25 indicates that less than half of the survey companies which disposed of business segments disclosed the operating results of such disposed segments. Examples of disclosures of operating results of discontinued operations follow. Included in the following examples is a 1973 fiscal year report which refers to Opinion No. 30 and presents much of the information required by Opinion No. 30.

BELDING HEMINWAY COMPANY, INC. (DEC)

	1972	1971
	($ thousands)	
CONTINUING OPERATIONS:		
Net sales	$92,656	$80,593
Cost of sales	61,754	51,704
Gross profit on sales	30,902	28,889
Selling, general and administrative expenses	21,901	20,681
	9,001	**8,208**
Depreciation and amortization	1,919	1,582
	7,082	**6,626**
Other deductions—net (including interest of $1,448,000 and $1,037,000 respectively)	1,621	866
Income before Federal income taxes	5,461	5,760
Provision for Federal income taxes	2,543	2,682
Income from continuing operations	**2,918**	**3,078**
(Loss) from discontinued operations (Note A)	(987)	(249)
Income before extraordinary credit	**$1,931**	**$2,829**

Note A—During the latter part of 1972, the Company discontinued its retail and apparel fabric divisions. The results of operations of these divisions, which are shown as "Loss from Discontinued Operations" in the accompanying consolidated statements of income, are summarized as follows:

	1972	1971
	($ thousands)	
Net sales	$ 8,851	$14,665
Costs and expenses	10,645	15,131
	(1,794)	**(466)**
Estimated Federal income tax credit	(807)	(217)
Loss from discontinued operations	**($ 987)**	**($ 249)**

CITY STORES COMPANY (JAN)

	1973	1972
INCOME OF CONTINUING OPERATIONS	$ 2,865,201	$ 1,416,442
DISCONTINUED OPERATIONS—NOTE C		
(Loss) before federal income tax credit	(3,500,271)	(2,007,938)
Federal income tax (credit)—Note B		
Current	(1,760,000)	(1,160,000)
Deferred	(25,000)	200,000
	(1,785,000)	(960,000)
(Loss) of discontinued operations	**(1,715,271)**	**(1,047,938)**
Income before extraordinary items	**$ 1,149,930**	**$ 368,504**

Note C (in part): Discontinued Operations—In January 1973 the Company's Board of Directors authorized the adoption of a program to close the Lansburgh's division. Accordingly, on March 30, 1973 the Company finalized plans to discontinue Lansburgh's operations and entered into agreements with Arlen Realty & Development Corp. and others, subject to certain contingencies, to assign leases and to sell property and equipment of certain stores of this division to Arlen, for $4,068,000 in cash and $3,376,000 in notes due in installments to 1978, bearing a fluctuating interest rate equal to 2% above the prime rate. The Company has made arrangements to discount the notes for their face value and will remain contingently liable in case of default by the purchasers. Arlen cannot complete this transaction until it is approved by the Federal Trade Commission.

The operations of this division, including sales of $28,578,030 (1973) and $26,221,926 (1972) and depreciation and amortization of $529,560 (1973) and $476,103 (1972) are shown as discontinued operations in the statement of income.

LVO CORPORATION (MAY)

	1973	1972
	($ thousands)	
Earnings from all continuing operations	$2,427	$1,742
Discontinued Operations (note 1):		
Earnings (loss) from operations	(237)	19
Loss on disposition	(65)	(464)
Net loss from discontinued operations	**(302)**	**(445)**
Net earnings	**$2,125**	**$1,297**
EARNINGS PER SHARE		
Earnings from all continuing operations	38c	27c
Net loss from discontinued operations	(5)	(7)
Net earnings	**33c**	**20c**

Note 1 (in part): Investments, Non-Current Receivables, Acquisitions and Discontinued Operations—During 1973 and 1972 the companies sold the custom printing, data processing services and business information segments of its business. Aggregate proceeds from the sales were $1,933,000 and $271,000, for 1973 and 1972, respectively. The operations of the segments sold have been included in the statements of consolidated earnings as discontinued operations; 1972 having been restated as permitted by Opinion No.30 of the Accounting Principles Board. The results of discontinued operations are summarized as follows:

	1973	1972
Revenues	$4,093,000	7,381,000
Costs and expenses	4,408,000	7,353,000
Allocated income tax benefit (expense)	78,000	(9,000)
Net earnings (loss)	**$ (237,000)**	**19,000**

The loss on disposition of discontinued operations for 1973 and 1972 has been reduced by the income tax effects of $17,000 and $136,000 respectively.

RAYBESTOS-MANHATTAN, INC. (DEC)

	1972	1971
Income from continuing operations before income taxes and extraordinary items	$10,213,776	$7,334,798
Provision for income taxes		
Current	5,502,350	2,623,415
Deferred		1,474,230
Income from continuing operations before extraordinary items	**4,711,426**	**3,237,153**
Loss from discontinued operations (net of income tax benefit of $698,767 in 1972 and $581,645 in 1971) (Note B)	(508,627)	(519,484)
Income before extraordinary items	**$ 4,202,799**	**$2,717,669**

Note B: Discontinued Operations—In the fall of 1972, the Company announced its withdrawal from the manufacture and sale of its industrial hose, belting and selected other rubber product lines in the United States and Canada. The discontinuance of these product lines and the disposal of the related assets which commenced in the fall of 1972 is expected to be completed in 1973. The resultant losses and estimated costs of discontinuance are described in Note C.

For balance sheet presentation, the assets of discontinued product lines held for sale include land and buildings at cost, and machinery and equipment at estimated net realizable value.

The results of operations for the year relating to the discontinued product lines have been shown separately, net of tax effect, in the accompanying consolidated statement of operations. Amounts for 1971 have been reclassified for comparative purposes. The operating results of the discontinued product lines are as follows:

	1972	1971
Net sales	$16,374,955	$19,113,988
Cost of sales	14,151,588	15,770,948
Gross profit	**2,223,367**	**3,343,040**
Selling and administrative expenses	3,462,449	4,463,241
Operating profit (loss)	**(1,239,082)**	**(1,120,201)**
Other income, net	31,688	19,072
	(1,207,394)	**(1,101,129)**
Income tax benefit	698,767	581,645
Loss from discontinued operations	**$ (508,627)**	**$ (519,484)**

LAST SECTION OF INCOME STATEMENT

Charges or credits, other than extraordinary items, appearing in the income statements after the deduction for income taxes are summarized in Table 3—26.

TABLE 3-26: SEPARATE SECTION AFTER TAXES

	1972	1971	1970	1969
Charge or Credit to Income				
Minority interest	66	57	58	59
Equity in earnings or losses of investees	55	52	41	34
Operating results of discontinued operations	44	27	27	7
Cumulative effect of Accounting Change	5	7	--	--
Other	6	8	7	6
Total Presentations	**176**	**151**	**133**	**106**
Number of Companies				
Presenting separate last section	152	128	118	93
Not presenting separate last section	448	472	482	507
Total	**600**	**600**	**600**	**600**

Examples of last section items are presented in Connection with Table 2—43 (Minority Interest), Table 2—23 (Equity in Investee Operations), and Table 3—25 (Discontinued Operations). Additional examples follow.

HEWLETT-PACKARD COMPANY (OCT)

	($ thousands)
Income before provision for taxes on income and extraordinary item	$69,829
Provision for federal and foreign taxes on income (net of investment tax credit of $664 in 1972 and including $2,088 of deferred taxes on income in 1972)	32,579
Income before extraordinary item	**37,520**
Extraordinary item	--
Cumulative effect on prior years (to October 31, 1971) of change in accounting method used for computing inventories (note 1)	1,211
Net income	**$38,461**

Note 1 (in part): Changes in accounting methods—As described in note 3 below, the Internal Revenue

Service has reviewed the 1967 and 1968 federal income tax returns of the Company. In connection therewith, the Service has requested the Company to change its method of accounting for miscellaneous material and labor to include such items in inventories which were previously charged to operations as period costs. The cumulative effect of such change in accounting method, which amounted to $3,290,000 at October 31, of $688,000, and taxes on income of $1,391,000, has been presented separately in the consolidated statement of income in 1972. Such additional income taxes are being paid over a period of ten years commencing in 1968. The effect on net income and per share amounts in 1971, assuming the change had been applied retroactively, is insignificant. Net income in 1972 increased by $791,000 ($.03 per share) as a result of the change.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

	1972	1971
	($ thousands)	
Income before gains (losses) from emergency fleet position	$17,013	$39,913
Gains (Losses) from emergency fleet position (Note 6)	2,662	(87,931)
Income (loss) before extraordinary items	**$19,675**	**$(48,018)**

Note 6: Emergency fleet position— Starting in May, 1970, when the Libyan government was demanding increased revenues from oil producers in Libya, the government ordered several cutbacks in permissible levels of production of Occidental of Libya, Inc. and other major producers. Because of this curtailment and the threat of further dislocation of the company's favorable source of crude oil, a wholly-owned subsidiary of the company, as an emergency measure, began to substantially increase its marine fleet tonnage through additional time charter commitments. As a result of the settlements with Libya, the subsidiary's expanded fleet position at December 31, 1971, significantly exceeded its normal operating requirements. This excess position coupled with the major downward adjustment of world shipping rates during 1971 resulted in substantial losses on the excess capacity. Because the terms of charter agreements for the excess vessels extend, in part, into 1974, a reserve of $65 million against possible future losses on those vessels had been included in the $87,931,000 charged against 1971 operations.

Income from the emergency fleet in 1972 was $2,662,000 after charging the reserve for $29,318,000 for costs reserved in 1971. The income is the result of the benefit of negotiated rate reductions on a portion of the emergency fleet and an improvement in tanker rates in 1972.

To the extent potential losses for which this reserve was provided are not realized as a result of improved tanker rates, future earnings will benefit.

TABLE 3-27: EXTRAORDINARY ITEMS IN INCOME STATEMENT

			1972	1971
Nature	Debit	Credit	Total	Total
Discontinued operations–estimated disposal costs or gains or losses from disposing of assets	120	28	148	131
Sale or disposal of assets other than those of discontinued operations	19	72	91	78
Operating loss carryforwards and other tax adjustments	1	45	46	32
Write-down of assets	22	--	22	36
Major casualty	13	3	16	2
Currency revaluations or devaluations	8	6	14	35
Other	33	25	58	55
Total Presentations	**216**	**179**	**395**	**369**
	1972	**1971**	**1970**	**1969**
Number of Companies				
Presenting above items	204	204	189	156
Not presenting above items	396	396	411	444
Total	**600**	**600**	**600**	**600**

N/C—Not Compiled

EXTRAORDINARY ITEMS

Many of the items listed in Tables 3—27 and 3—28 (Discontinued operations, disposal of assets, asset write-downs, and devaluation or revaluation gains or losses), properly treated as extraordinary items under *APB Opinion No. 9*, will not be considered extraordinary items under *APB Opinion No. 30— Reporting the Reults of Operations*. *Opinion No. 30*, issued in June 1973 and "effective for events and transactions occurring after September 30, 1973", states in part:

> 3. The purposes of this Opinion are (1) to provide more definitive criteria for extraordinary items by clarifying and, to some extent, modifying the existing definition and criteria, (2) to specify disclosure requirements for extraordinary items, (3) to specify the accounting and reporting for disposal of a segment of a business, (4) to specify disclosure requirements for other unusual or infrequently occuring events and transactions that are not extraordinary items.
>
> 7. This Opinion supersedes paragraphs 20 through 22, paragraph 29 insofar as it refers to examples of financial statements and Exhibits A through D of APB Opinion No. 9. It also amends paragraph 13 and footnote 8 of APB Opinion No. 15, *Earnings per Share*, insofar as this Opinion prescribes the presentation and computation of earnings per share of continuing and discontinued operations. This Opinion does not modify or amend the conclusions of APB Opinion No. 11,

TABLE 3-28: EXTRAORDINARY ITEMS-MATERIALITY-1972

	*Percentage of Materiality				Total
	0-5%	6-10%	11-20%	21+%	Items
Debits					
Discontinued operations– estimated disposal costs or losses from disposing of assets	25	21	20	54	120
Sale or disposal of assets other than those of discontinued operations	8	5	2	4	19
Write down of assets	13	1	3	5	22
Major casualty	6	2	3	2	13
Currency revaluation or devaluation	3	1	1	3	8
Other	14	8	2	10	34
Total Debits	**69**	**38**	**31**	**78**	**216**
Credits					
Discontinued operations–gain from disposing of assets	5	5	8	10	28
Sale or disposal of assets other than those of discontinued operations	28	13	8	23	72
Currency revaluation	2	2	2	--	6
Operating loss carryforwards and other tax adjustments	17	7	8	13	45
Other	13	3	5	7	28
Total Credits	**65**	**30**	**31**	**53**	**179**
Debits Listed as Ordinary Expense					
Loss from sale or disposal of assets	6	–	2	1	9
Write down of assets	4	1	2	6	13
Currency revaluation	4	–	–	–	4
Other	2	–	–	–	2
Total	**16**	**1**	**4**	**7**	**28**
Credits Listed as Ordinary Income					
Gain from sale or disposal of assets	16	9	2	23	30
Currency revaluation	1	–	–	–	1
Other	–	–	–	1	1
Total	**17**	**9**	**2**	**4**	**32**

*Ratio of item to income or loss before extraordinary item.

Accounting for Income Taxes, paragraphs 45 and 61, or of APB Opinion No. 16, *Business Combinations,* paragraph 60, with respect to the classification of the effects of certain events and transactions as extraordinary items. Prior APB Opinions that refer to the superseded paragraphs noted above are modified to insert a cross reference to this Opinion.

10. *Extraordinary Items.* The Board has also reconsidered the presentation of extraordinary items in an income statement as prescribed in APB Opinion No. 9, and reaffirms the need to segregate extraordinary items for the reasons given in paragraph 5 of this Opinion and paragraph 19 of APB Opinion No. 9.

19. Judgement is required to segregate in the income statement the effects of events or transactions that are extraordinary items (as required by paragraph 11). The Board concludes that an event or transaction should be presumed to be an ordinary and usual activity of the reporting entity, the effects of which should be included in income from operations, unless the evidence clearly supports its classification as an extraordinary item as defined in this Opinion.

20. Extraordinary items are events and transactions that are distinguished by their unusual nature *and* by the infrequency of their occurrence.

23. Certain gains and losses should not be reported as extraordinary items because they are usual in nature or may be expected to recur as a consequence of customary and continuing business activities. Examples include:

(a) Write-down or write-off of receivables, inventories, equipment leased to others, deferred research and development costs, or other intangible assets.

(b) Gains or losses from exchange or translation of foreign currencies, including those relating to major devaluations and revaluations.

(c) Gains or losses on disposal of a segment of a business.

(d) Other gains or losses from sale or abandonment of property, plant, or equipment used in the business.

(e) Effects of a strike, including those against competitors and major suppliers.

(f) Adjustment of accruals on long-term contracts.

25. Circumstances attendant to disposals of a segment of a business and extraordinary items frequently require estimates, for example, of associated costs and occasionally of associated revenue, based on judgement and evaluation of the facts known at the time of first accounting for the event. Each adjustment in the current period of a loss on disposal of a business segment or of an element of an extraordinary item that was reported in a prior period should not be reported as a prior period adjustment unless it meets the criteria for a prior period adjustment as defined in paragraph 23 of APB Opinion No. 9. An adjustment that does not meet such criteria should be separately disclosed as to year of origin, nature, and amount and classified separately in the current period in the same manner as the original item. If the adjustment is the correction of an error, the provisions of APB Opinion No. 20, *Accounting Changes,* paragraphs 36 and 37 should be applied.

27. This Opinion shall be effective for events and transactions occurring after September 30, 1973. Events and transactions that were reported as extraordinary items in statements of income for fiscal years ending before October 1, 1973 should not be restated, except that a statement of income

> including operations of discontinued segments of a business may be reclassified in comparative statements to conform with the provisions of this Opinion and the Board encourages such reclassification. In addition, the accounting for events and transactions that have been reported previously for the fiscal year in which September 30, 1973 occurs may be restated retroactively to comply with the provisions of this opinion, and the Board encourages such restatement. Differences in classification of the effects of events and transactions in the financial statements of the current and any prior periods presented should be disclosed in notes to the financial statements.

APB Opinion No. 26— Early Extinguishment of Debt, issued October 1972, sets forth another transaction which can, in certain instances, be treated as an extraordinary item, *Opinion No. 26* states in part:

> 20. *Disposition of amounts.* A difference between the reacquisition price and the net carrying amount of the extinguished debt should be recognized currently in income of the period of extinguishment as losses or gains and identified as a separate item. The criteria in APB Opinion No. 30 should be used to determine whether the losses or gains are ordinary or extraordinary items. Gains and losses should not be amortized to future periods.
>
> 22. This Opinion shall be effective for all extinguishments of debt occurring on or after January 1, 1973. Extinguishment transactions are considered to be terminated events similar to that set forth in paragraph 16 of APB Opinion No. 20 and, as such, extinguishments that were previously recorded in fiscal years ending before January 1, 1973, should not be adjusted. However, the accounting for refunding transactions that have been previously reported in the fiscal year in which December 31, 1972, occurs may be retroactively restated to comply with the provisions of this Opinion.

Examples of Extraordinary items follow.

Tax Adjustments

HYGRADE FOOD PRODUCTS CORPORATION (OCT)

Earnings before extraordinary credit	$2,808,072
Extraordinary credit – reduction in Federal income tax provision resulting from tax loss carry-forward benefits and timing differences (note 5)	2,155,000
Net earnings	**$4,963,072**

Note (5): Income Taxes— As of October 28, 1972, the Company had an unused tax loss carry-forward of $3,415,000 expiring in the fiscal year ending in 1975. Future taxable income will also be reduced by approximately $2,510,000 as net losses on disposition of closed plants and related expenses are realized for tax purposes and payments are made applicable to the separation pay liability, pensions and certain other liability accounts carried on the balance sheet of the Company. Because of operating losses in prior years, the deferred tax benefits of the aforementioned timing differences were not recognized in the year such differences occured. Appropriate recognition will be given to deferred tax benefits related to such differences as remain when the loss carry-forwards have been utilized or expire.

In addition to the unused tax loss carry-forwards mentioned above, the Company has available investment tax credits aggregating $631,000 expiring as follows: in 1975, $134,000; in 1976, $200,000; in 1977, $56,000; in 1978, $91,000; and in 1979, $150,000.

STANDARD PRESSED STEEL CO. (DEC)

Earnings before extraordinary item	$3,093,480
Utilization of tax loss carryforward (note 5)	650,000
Net earnings	**$3,743,480**

Note (5): Income Taxes— The provision for (recovery of) income taxes consists of the following elements:

Federal, including deferred of $565,000 and $(858,000)	$ 565,000	$ (962,000)
Foreign and state, including deferred of $127,000 and $(125,000)	701,000	864,000
Utilization of tax loss carryforward	650,000	--
	$1,916,000	**$ (98,000)**

The Company's income tax rate was less than the statutory United States Federal corporate income tax rate primarily because net earnings of certain subsidiaries were substantially free of income taxation and certain other subsidiaries sustained operating losses.

The net operating loss carryforward of $1,300,000 for book purposes at December 31, 1971 was utilized to offset, in part, taxes otherwise payable on earnings in 1972, resulting in an extraordinary credit of $650,000. In addition, deferred taxes of $692,000 were provided in 1972 with respect to certain items deducted for tax purposes in advance of being recorded as expenses on the books. As a result of such timing differences, the Company and its domestic subsidiaries were not required to pay any Federal income taxes in 1972, and at December 31, 1972 had an additional operating loss carryforward and foreign tax and investment credit carryover, totaling approximately $2,150,000, available to reduce the future United States taxable income until expiration substantially in 1976. Certain non-United States subsidiaries also have net operating loss carryforwards of approximately $3,800,000 available for offset against their future taxable earnings.

The United States tax returns for 1966 through 1971 are under examination by the Internal Revenue Service and the revenue agent informally has proposed adjustments resulting in substantial additional taxes. The Company, still intends to contest the proposed adjustments and its legal counsel is of the opinion that the Company has sound arguments to support its position. Provision has been made in the accounts for the Company's estimate of its ultimate liability.

Major Casualty

GENERAL CIGAR CO., INC. (DEC)

	($ Thousands)
Income before extraordinary loss (per common share: 1972—$2.13)	$4,537
Extraordinary loss, net of applicable income taxes of $66 ($.42 per common share)—exluding $389 of tax benefits not currently utilized (Notes 2 and 4)	884
Net income (per common share: 1972—$1.71)	**$3,653**

Note 2: Extraordinary Loss—The extraordinary loss, consisting primarily of raw materials and finished goods inventory, was a result of damage from Tropical Storm Agnes in June of 1972. The loss after estimated insurance recoveries was $950,000. Of the applicable income tax benefits, $66,000 was availed of in 1972 and $389,000 is available as a carryover benefit. (See Note 4).

Note 4: Income Taxes—The provision for income taxes consists of the following:

	1972	1971
Current		
Federal, foreign, state and local	$812	$1,193
Tax benefit utilized attributable to extraordinary loss	(66)	--
Sub-total	**746**	**1,193**
Deferred	54	(207)
Total provision	**$800**	**$986**

The 1972 provision for federal income taxes has not been reduced by any investment tax credit; the 1971 provision was reduced by investment tax credit of $230,000.

The 1972 tax relief relating to the Company's subsidiaries operating in Puerto Rico amounted to approximately $1,205,000 or 57c per share (1971—$1,137,000 or 60c per share). The portion of consolidated income so relieved amounted to approximately $2,974,000 (1971—$2,771,000). Of the total tax relief, approximately 95% (1971—94%) is applicable to the subsidiary whose exemption expires in 1983.

At year-end the cash balance of Puerto Rican subsidiaries in time deposits amounted to $16,800,000 (1971—$12,450,000). Under present tax laws, transfer of these funds to the parent company, other than through a tax-free liquidation, would be subject to United States income taxes. There is no present intent to make such transfers and no tax has been provided.

The Company has available as benefits to reduce future federal income tax liability, subject to applicable limitations, foreign tax credits of $299,000 ($38,000 expiring in 1976, $261,000 in 1977) and investment tax credits of $340,000 ($245,000 expiring in 1978, $95,000 in 1979). Included in these amounts are the unused tax benefits resulting from the extraordinary loss described in Note 2.

PIPER AIRCRAFT CORPORATION (AUG)

Income (loss) before extraordinary item	$ 1,697,778
Flood loss, less $8,121,000 of applicable income tax credits (Notes 1 and 3)	(6,848,000)
Net loss	**$(5,150,222)**

Note 1: Flood loss—In June 1972 a serious flood interrupted production and caused extensive damage to inventory and other assets at the Company's plant in Lock Haven, Pennsylvania, where all but one of the Company's twin engine aircraft and certain of its single engine aircraft are produced.

The flood loss charged to 1972 income as an extraordinary item reflects estimated losses on inventory (which, after allowance for salvage, approximated $11,800,000), allowance for indirect expenses which would have been applicable to the lost production and sales, and general costs of repair and rehabilitation. The flood loss has been reduced by estimated insurance recoveries and by applicable income tax credits.

To aid in the recovery from the flood, the Company borrowed from the Clinton County Industrial Development Authority $4,000,000, at 2% on its short term unsecured note, which was repaid in October 1972. Furthermore, on October 24, 1972, the Company borrowed $12,000,000 from the Small Business Administration (SBA). The loan bears interest at the rate of 1% per annum, and is due in 20 years with payments commencing in 1975. In connection with this loan and the existing $10,000,000 5⅞% notes the Company has mortgaged substantially all of its land and buildings as security. The SBA loan provides for subordination of $8,000,000 to the 5⅞% notes.

Note 3: Income taxes—The flood loss resulted in a Federal income tax refund of $7,372,000 (received in October, 1972) arising from a carryback against prior years taxable income, and a $749,000 reduction of Federal and State income taxes in 1972.

The 1971 refund results from the carryback of that year's loss as well as the adjustment of prior year's tax liabilities of $165,000 no longer required.

Provision is made for income taxes deferred or prepaid as a result of timing differences between financial and tax reporting of depreciation, pension costs and undistributed earnings of subsidiaries.

Expropriation

ETHYL CORPORATION (DEC)

Income before extraordinary items	$44,707,000
Extraordinary items	4,535,000
Net income	**$49,242,000**

Notes to Financial Statements

Note 13 (in part): Extraordinary items—In 1972 a Canadian subsidiary received payment of the award of $10,481,000, including interest, from the Canadian Province of New Brunswick as compensation for the expropriation of certain timberlands. The net gain amounted to $4,535,000 after provision for income taxes of $4,812,000 of which $3,689,000 is deferred.

Early Extinguishment Of Debt

GENERAL HOST CORPORATION (DEC)

Income before extraordinary items	$2,585,000
Extraordinary gains, net of $5,072,000 charges in 1972 (Note 10)	822,000
Net income	**$3,407,000**

Note 10 (in part): Extraordinary items—On November 17, 1972 the Company repurchased by means of a cash tender offer $69,262,000 principal amount of its outstanding 7% subordinated debentures for approximately $49,000,000, including related expenses. As a result, the Company realized an extraordinary gain of $5,482,000 after deducting original issue discount in the amount of $14,846,000. No provision for federal income taxes has been made on this gain, since as the result of a difference between the book and tax basis of the debentures the purchase resulted in a loss for tax purposes.

Adjustment Of Prior Period Extraordinary Item

THE BUDD COMPANY (DEC)

Earnings before extraordinary credit	$14,801,243
Extraordinary Credit:	
Partial reversal of provision for discontinuance of certain operations, less tax effect of $1,984,000 (note 8)	2,766,000
Net earnings	**$17,567,243**

Note 8: Discontinuance of Certain Operations—In 1970 a special reserve was established for the anticipated losses and expenses in connection with the discontinuance of certain product lines, including the operations of the Railway Division as a prime contractor. In November 1972 after an analysis of the opportunities for additional profitable business, a decision was reached to continue the operations of the Railway Division. As a result of this decision, a reappraisal of the reserve indicated that $2,766,000, net of taxes, was no longer required and accordingly was restored to earnings as an extraordinary credit. Losses and expenses incurred and charged to the special reserve during 1972 and 1971 amounted to approximately $3,971,000 and $7,266,000, respectively. The company believes that the balance in the reserve of $3,798,000 at December 31, 1972 is sufficient to cover future costs of discontinuing its passenger car hub and brake drum product line and to close its foundry in Detroit.

CURTISS-WRIGHT CORPORATION (DEC)

	($ Thousands)	
	1972	1971
Earnings before extraordinary items	$4,787	$318
Extraordinary items	746	385
Net earnings	**$5,533**	**$703**

Notes to Financial Statements

Note 9: Extraordinary Items—Extraordinary items, net of applicable minority interest are as follows:

	($ Thousands)	
	1972	1971
Reversal of (in 1972) and provision for (in 1971) estimated losses applicable to discontinuance of various operations, net of related income tax provision of $712 in 1972 and credit of $439 in 1971	$771	($243)
Equity in $2,800 extraordinary loss of affiliate	(525)	--
Gain on sales of buildings and land applicable to continuing operations, net of related income taxes of $121 in 1972 and $627 in 1971	303	1,196
Reduction in federal and foreign income taxes resulting from carryforward of net operating losses of subsidiaries	197	310
Provision for and settlement of various lawsuits and related legal expenses, net of related income taxes of $753		(965)
Gain on revaluation of foreign currency		87
	$746	**$385**

SUN CHEMICAL CORPORATION (DEC)

	($ Thousands)	
	1972	1971
Income before extraordinary items	$3,578	$2,786
Extraordinary items (Note 5)	1,333	(3,175)
Net income (loss)	**$4,911**	**$(389)**

Note 5: Extraordinary items—The composition of the net amount of extraordinary items reflected in the consolidated statement of income is as follows:

	1972	1971
Provision for estimated loss on anticipated disposition of investment in Chemetron Corporation (without tax effect)	$ --	$(2,935,000)
Adjustment to previously provided reserve for estimated loss on anticipated disposition of investment in Chemetron Corporation arising from sale of 293,454 shares of common stock (without tax effect)	1,241,000	--
Net gain on disposition of real estate, less income taxes of $143,000	370,000	--
Loss on disposition of a division, less income tax benefit of $265,000	(287,000)	--
Credit arising from the utilization of prior year capital loss carryforward	201,000	--
Equity in extraordinary items of Standard Kollsman Industries Inc.	(192,000)	(240,000)
	$1,333,000	**$(3,175,000)**

Other

GIDDINGS & LEWIS, INC. (DEC)

Loss before extraordinary credit	$(2,801,309)
Extraordinary credit (Note 8)	1,817,000
Net loss	**$(984,309)**

Note 8: Extraordinary credit—The United States Court of Appeals for the Seventh Circuit handed down a decision favorable to the Company in October, 1971 in the patent litigation action brought against the Company by Kearney & Trecker Corporation. In 1972, the Company and Kearney & Trecker Corporation reached a number of agreements in settlement of that litigation and other disputes whereby the Company is to receive a net of $2,500,000, after the purchase by the Company of a license under certain of Kearney & Trecker Corporation's foreign patents for $500,000. The license has been capitalized and is included in other assets in the consolidated balance sheet. The consolidated statement of operations reflects the settlement as follows: $100,000 credited to administrative expense (reimbursement for 1972 expenses) and the remainder, less income taxes of $1,083,000, as an extraordinary credit.

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

Earnings before extraordinary charge	$8,637,615
Extraordinary charge	(931,379)
Net earnings	**$7,706,236**

Notes to Consolidated Financial Statements

Note F: Extraordinary Charge—The extraordinary charge of $931,379, net of $932,000 of federal income tax credit, represents primarily unexpected and non-recurring pre-operating and start-up costs of the commercial product plant at Alamogordo, New Mexico. Such costs resulted from critical equipment failures and other unusual difficulties encountered during the pre-operating and start-up period.

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	($ Thousands)
Earnings before extraordinary items	$6,741
Extraordinary items (Note 15)	1,067
Net earnings	**$7,808**

Note 15 (in part): Extraordinary items—A summary of extraordinary items follows:

	($ Thousands)		
	Gross	Applicable Income Taxes	Net
Gain on sale of Australian real estate	$ 483	(251)	232
Expense resulting from relocation of corporate headquarters from New York City to Los Angeles	(1,500)	720	(780)
Provision for estimated severance pay resulting from the establishment of joint ventures for feature film distribution in foreign countries	(1,200)	576	(624)
Federal income tax benefit from operating loss carryforward	--	2,239	2,239
	$(2,217)	**3,284**	**1,067**

EARNINGS PER SHARE

APB Opinion No. 15 states in part:

12. The Board believes that the significance attached by investors and others to earnings per share date, together with the importance of evaluating the data in conjunction with the financial statements, requires that such data be presented prominently in the financial statements. The Board has therefore concluded that earnings per share or net loss per share data should be shown on the face of the income statement. The extent of the data to be presented and the captions used will vary with the complexity of the company's capital structure, as discussed in the following paragraphs.

13. The reporting of earnings per share data should be consistent with the income statement presentation called for by paragraph 20 of *APB Opinion No. 9.* Earnings per share amounts should therefore be presented for (a) income before extraordinary items and (b) net income. It may also be desirable to present earnings per share amounts for extraordinary items, if any.

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 date. (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—29 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 1972 annual reports follow.

TABLE 3-29: EARNINGS PER SHARE— 1972

	Additional shares issuable for				
		Preferred			
	Debt	Stock	Options	Warrants	Other
Effect of Additional Shares					
Included in primary per share calculation	14	48	118	26	23
Included in fully diluted per share calculation only	112	76	67	9	6
No dilution	84	43	171	27	21
Not disclosed	17	17	175	19	25
No additional shares issuable	373	416	69	519	525
Total Companies	**600**	**600**	**600**	**600**	**600**

Computation Basis:	**1972**	**1971**	**1970**	**1969**
Average shares outstanding	515	491	465	437
Not determinable	61	77	104	101
Year end shares outstanding-change less than 3%	20	30	26	52
Year end shares outstanding-change more than 3%	4	2	4	7
No earnings per share shown	–	–	1	3
Total Companies	**600**	**600**	**600**	**600**

Primary Earnings Per Share Only

BATH INDUSTRIES, INC. (DEC)

	1972	**1971**
Net income per share of common and common stock equivalents	$2.95	$1.53
Average number of common and common stock equivalents outstanding each year	7,944,611	7,814,862

Summary of Significant Accounting Policies

Common and Common Stock Equivalents—Common and common equivalent shares for 1972 include the number of shares of common stock outstanding and issued (7,510,479 including 264,246 for both 1972 and 1971 for the 1972 acquisitions) plus the average number of common shares issued or issuable upon exercise of stock warrants (295, 761) and stock options (307, 861), less the common shares that could have been repurchased (169,490) with the proceeds available from the assumed exercise of outstanding warrants and options.

BAUSCH & LOMB INCORPORATED (DEC)

	1972	**1971**
Net Earnings Per Common and Common Equivalent Share:		
Earnings before extraordinary item	$1.30	$1.27
Extraordinary item	.17	.08
Net earnings	$1.47	$1.35

Accounting Policies: Earnings Per Share—Net earnings per common and common equivalent share are based on the weighted average number of common and Class B common shares outstanding, adjusted for the assumed conversion of the outstanding convertible subordinated debentures at the beginning of the year, and the assumed conversion of dilutive stock options granted after May 31, 1969 at the beginning of the year or date of grant, whichever is later.

In computing the per share effect of assumed conversions (a) debenture interest, less the income tax effect, has 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 current market prices; and (c) the related net additional common shares have been included in the calculations of average common and common equivalent shares outstanding.

CHOCK FULL O' NUTS CORPORATION (JUL)

	1972	**1971**
Net income	$1,282,639	$3,361,294
Net income per share of common stock (based on weighted average number of shares outstanding)	$.32	$.85

Notes to Consolidated Financial Statements

Note 1 (in part): Net Income Per Share of Common Stock—Net income per share of common stock is based on the weighted average number of common shares outstanding during each year. Convertible debentures (issued prior to May 31, 1969) are not considered common stock equivalents. All stock options are considered common stock equivalents but have no material dilutive effect on net income per share, assuming purchases of common stock at average market prices with proceeds that would be received upon exercise of options.

The computation of fully diluted net income per share results in less than 3% dilution, assuming purchases of common stock at the higher of year-end market prices or average market prices during the years with proceeds that would be received upon exercise of options, and assuming the convertible debentures were converted and income was increased by interest on the debentures, net of tax effect.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Per share of common stock (Note 7):		
Income (loss) before extraordinary credit.	$1.58	$(1.79)
Extraordinary credit	.68	--
Net income (loss)	**$2.26**	**$(1.79)**

Note 7:Income (Loss) Per Share of Common Stock—Income per share of common stock for 1972 has been calculated using the average number of shares of common stock (4,693,099) and common stock equivalents (stock options—184,085) outstanding during the year. Fully diluted income per share for 1972 has not been presented since inclusion of the shares issuable upon conversion of the convertible subordinated notes would have an anti-dilutive effect and additional dilution from common equivalent shares would not result in material dilution. Loss per share of common stock for 1971 has been calculated using the average number of shares of common stock (4,385,120) outstanding during the year. All potentially dilutive securities were anti-dilutive in 1971.

SIGNODE CORPORATION (DEC)

	1972	1971
Net Earnings	$17,521,000	$13,719,000
Net Earnings per share (after adjustment for stock split) (Note 1)	$ 2.48	$ 2.01

Note 1 (in part): Earnings Per Share—Net earnings per share are based on the weighted average number of shares outstanding during each period (7,064,000 in fiscal 1972 and 6,833,000 in fiscal 1971), after reflecting the three-for-two stock split (see Note 6). Per share dividend amounts are based on actual amounts paid per common share, adjusted for the stock split. Conversions of the 7% convertible subordinated debentures and the exercise of outstanding stock options would not result in significant dilution of net earnings per share.

Note 6 (in part): Subsequent events—On January 25, 1973, the Board of Directors authorized a three-for-two common stock split, distributable March 1, 1973 and also proposed an increase in authorized common stock to 16,000,000 shares to be voted upon by the stockholders at the annual meeting on April 26, 1973. The stock split has been reflected in the consolidated financial statements as of December 31, 1972 and common shares and per share amounts for prior periods have been restated on a comparable basis.

Fully Diluted Earnings Per Share

BORDEN, INC. (DEC)

	1972	1971
Average number of common shares and equivalents outstanding during the year	30,329,301	30,304,451
Net income per share		
Primary	$ 2.18	$ 2.00
Fully diluted	2.13	1.98

Notes To Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies—Earnings per Share—Primary earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents (Series A and B Convertible Preferred Stocks and Stock Options) outstanding during the year of computation.

Fully diluted earnings per share computations are based on the weighted average number of shares of Common Stock and Equivalents outstanding as if the outstanding Convertible Debentures had been converted into Common Stock at the beginning of the period or date of issue, whichever prevailed, and after giving effect to the elimination of interest expense applicable to the Convertible Debentures.

Note 8:Earnings Per Share—The average number of Common Shares and Equivalents entering into the calculation of primary and fully diluted earnings per share are as follows:

	1972	1971
Common shares	29,128,141	29,061,349
Convertible Preferred:		
Series A	472,750	472,750
Series B	708,660	754,270
Stock options	19,750	16,082
Total for primary calculation	**30,329,301**	**30,304,451**
Convertible Debentures:		
6¾%	1,043,479	480,286
5%	299,245	
Total for fully diluted calculation	**31,672,025**	**30,784,737**

DIVERSIFIED EARTH SCIENCES, INC. (OCT)

	1972	1971
EARNINGS PER COMMON SHARE AND COMMON EQUIVALENT SHARE (NOTE 7):		
Earnings before equity in losses of affiliated companies, discontinued operations and extraordinary item	$2.00	$1.17
Equity in losses of affiliated companies	(0.06)	(0.12)
Earnings from discontinued operations	0.03	0.22
Earnings before extraordinary item	1.97	1.27
Extraordinary item	0.08	--
Net earnings	**$2.05**	**$1.27**
EARNINGS PER COMMON SHARE ASSUMING FULL DILUTION (NOTE 7):		
Earnings before equity in losses of affiliated companies, discontinued operations and extraordinary item	$1.92	$1.17
Equity in losses of affiliated companies	(0.06)	(0.12)
Earnings from discontinued operations	0.03	0.22
Earnings before extraordinary item	1.89	1.27
Extraordinary item	0.07	--
Net earnings	**$1.96**	**$1.27**

Note 7: Earnings Per Share—Earnings per share have been computed on the following basis which gives effect to a 5-for-4 split on January 22, 1971 and a 5% stock dividend in January 1972.

	1972	1971
Weighted average number of shares outstanding during year	790,515	514,059
Dilutive common stock equivalents	86,615	65,167
Contingent shares issuable for attainment of specified earnings level (note 8)	11,466	27,346
Weighted average number of common shares and common stock equivalents	888,596	606,572

Earnings per common share and common equivalent share were computed by dividing net earnings by the weighted average number of shares of common stock and common stock equivalents outstanding during the year. The number of common shares was increased by the number of shares issuable on the exercise of warrants and options when the market price of the common stock exceeds the exercise price of the warrants and options. This increase in the number of common shares was reduced by the number of common shares which are assumed to have been purchased with the proceeds from the exercise of the warrants and options; these purchases were assumed to have been made at the average price of the common stock during that part of the year when the market price of the common stock exceeded the exercise price of the warrants and options.

Certain contingent issuances of common stock and certain employee stock options were not included in the computation because their inclusion would have been antidilutive.

The computation of earnings per common share assuming full dilution for 1972 reflects the effect of using the ending market price for the above computation for periods in which the ending market price exceeded the average market price of the Company's common stock. The effect was to increase the weighted average of shares outstanding by 4,560 shares. Also included in 1972 was the assumption of conversion of the 8% convertible note into 84,000 shares (note 5).

INSILCO CORPORATION (DEC)

	1972	1971
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE (NOTE 12):		
Before extraordinary item	$1.31	$1.07
Extraordinary item	(.13)	(.04)
Net earnings	$1.18	$1.03
EARNINGS PER COMMON SHARE—ASSUMING FULL DILUTION (NOTE 12):		
Before extraordinary item	$1.22	$1.05
Extraordinary item	(.11)	(.04)
Net earnings	$1.11	$1.01

Note 12: Earnings Per Share—Earnings per common and common equivalent share were computed by dividing net earnings, less dividends on the 8% convertible preferred stock and, in 1971 only, dividends on Series A preferred stock, by the average number of common and common equivalent shares with a dilutive effect outstanding during each year (10,163,000 shares in 1972 and 9,394,000 in 1971). Common equivalent shares include shares issuable upon conversion of Series A preferred stock and upon exercise of dilutive stock options reduced by the number of shares assumed to have been purchased with the proceeds. The computation of earnings per share for 1971 excludes Series A preferred stock as a common equivalent share, inasmuch as such stock did not have a dilutive effect for that year.

Fully diluted earnings per share were determined on the assumptions that the average number of common shares outstanding was further increased (to 12,339,000 shares in 1972 and 10,925,000 shares in 1971) by conversion at their respective dates of issue of convertible debentures and notes and that interest thereon, net of tax, on the debentures was eliminated.

ST. REGIS PAPER COMPANY (DEC)

	1972	1971
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:		
Before extraordinary items	$2.92	$1.51
Extraordinary items		(.34)
Net earnings	$2.92	$1.17
EARNINGS PER COMMON SHARE, ASSUMING FULL DILUTION:		
Before extraordinary items	$2.78	$1.51
Extraordinary items		(.34)
Net earnings	$2.78	$1.17

Notes to Financial Statements

Earnings Per Share—Earnings per common and common equivalent share has been computed based upon the average number of common and common equivalent shares outstanding. Shares issuable for an acquisition, determined by future earnings performance, shares issuable under management incentive and deferred compensation plans, and shares exercisable under the company's stock option plan are classified as common equivalent shares and are included in the average number of common and common equivalent shares outstanding of 13,937,000 shares in 1972 and 13,791,000 shares in 1971.

Earnings per common shares, assuming full dilution, has been computed based upon the average number of common and common equivalent shares outstanding, and the conversion into common shares outstanding of the 6% subordinated convertible notes and the 4⅞% convertible subordinated debentures, after elimination of related interest expense net of taxes. Recognition has not been given to conversion of preferred shares into common shares outstanding because the effect of such conversion would be anti-dilutive. The average number of shares used to compute earnings per share, assuming full dilution, was 15,172,000 in 1972 and 14,057,000 in 1971.

WARNACO INC. (DEC)

	1972	1971
Income (loss) per common share and common equivalent share (Note 8):—		
Income from operations:		
Continuing	$2.30	$1.64
Discontinued	(.09)	.07
Net	**$2.21**	**$1.72**
Assuming full dilution:		
Continuing	$2.18	$1.63
Discontinued	(.08)	.07
Net	**$2.10**	**$1.70**

Note 8: Net Income Per Common Share and Common Equivalent Share—The computation of average common shares and common equivalent shares (4,007,621—1972, 4,016,629—1971) recognizes common shares which would be issuable (a) upon conversion of the $1.50 preferred stock, (b) upon exercise of stock options and (c) based on the market value of Warnaco common stock and the current earnings levels of companies acquired in 1970. The fully diluted net income per share calculations for 1972 and 1971 further recognize the common shares which would be issuable upon the conversion of the convertible debt issued during 1971 and the related reduction of interest expense, net of income tax effect, assuming that conversion took place at the beginning of the year for 1972 and at date of issuance in 1971.

The effect of possible issuance of additional shares based on earnings of the acquired companies would not have a dilutive effect on income per common share and common equivalent share.

Supplementary Earnings Per Share Data

ASG INDUSTRIES, INC. (DEC)

	1972	1971
Net earnings	$3;461,961	$2,347,272
Earnings per share (notes 8 and 10):		
Per common and common equivalent share	$1.11	$ .76
Per common share—assuming full dilution	$ .73	$ .51

Note 8: Earnings Per Share—Earnings per share were computed under the provisions of Accounting Principles Board Opinion No. 15. Signficant data used in the computation were:

	1972	1971
PRIMARY:		
Net earnings after preferred dividend requirements and other adjustments required by the Opinion	$3,283,327	$2,238,385
Weighted average outstanding common and common equivalent shares (stock options)	2,960,078	2,928,095
FULLY DILUTED:		
Net earnings after preferred dividend requirements and other adjustments required by the Opinion, including the effect of the conversion of the 6% First Mortgage Convertible Bonds	$3,501,127	$2,440,980
Weighted average outstanding common and common equivalent shares (stock options) and the effect of the conversion of the 6% First Mortgage Convertible Bonds	4,789,051	4,743,095

Note 10: Preferred Stock and Subsequent Event—On January 12, 1973, the shareholders approved a plan of recapitalization which amended the Certificate of Incorporation of the Company to eliminate the 5% Cumulative Preferred Stock (including dividend arrearages of $2,098,947) by reclassifying each share of Preferred Stock into three shares of Common Stock. The 142,907 shares of 5% Cumulative Preferred Stock were reclassified into 428,721 shares of Common Stock. Assuming this action had been taken at the beginning of the periods presented, earnings and net book value per share would have been:

	1972	1971
Earnings Per Share:		
Per common and common equivalent share	$1.02	$ .73
Per common share assuming full dilution	.71	.51
Net book value per common share at December 31	8.65	7.46

The Company has 30,000 shares of 6% Cumulative Preference Stock ($100 par value per share) authorized under its charter. There are no shares of this stock issued or outstanding.

Election Adopted for Securities Outstanding May 31, 1969

WALTER KIDDE & COMPANY, INC. (DEC)

	1972	1971
PER COMMON SHARE, PRIMARY:		
Income before extraordinary items	$3.03	$2.44
Net income	$3.03	$2.45
PER COMMON SHARE, FULLY DILUTED:		
Income before extraordinary items	$2.85	$2.31
Net income	$2.85	$2.33

Notes to Financial Statements

Earnings Per Share—Average shares used in computing earnings per share were as follows:

	1972	1971
Common shares outstanding and common share equivalents of Series A preference shares	10,237,595	10,554,099
Effect of assumed exercise of stock options granted after May 31, 1969 at option prices which are lower than the average market price of the Common Shares	49,342	36,876
Assumed issuance of shares under acquisition agreements entered into after May 31, 1969 (see "Common Shares")	40,313	40,313
Common shares and common equivalent shares—"Primary"	10,327,250	10,631,288
Assumed conversion of 5% convertible subordinated debentures	681,034	691,560
Effect of assumed exercise at the beginning of year of stock options exercised during the year and other dilutive stock options	2,512	4,134
Assumed issuance of shares under acquisition agreements entered into prior to June 1, 1969 (see "Common Shares")	330,068	330,068
Common shares assuming full dilution—"Fully Diluted"	11,340,864	11,657,050

Primary earnings per share were computed after deducting dividend requirements on Series B Convertible Cumulative Preference Shares of $1,080,808 in 1972 and $1,132,000 in 1971. Fully diluted earnings per share were computed after deducting the above dividend requirements and adding appropriate interest charges of $1,029,261 in 1972 and $1,044,254 in 1971, net of related taxes.

LESLIE FAY INC. (APR)

	1972	1971
Per Share Data—Note 9:		
Earnings per common and dilutive common equivalent share:		
Income before extraordinary items	$1.27	$1.17
Extraordinary items	.11	--
Net income	**$1.38**	**$1.17**
Earnings per common share—assuming full dilution:		
Income before extraordinary items	$1.26	$1.14
Extraordinary items	.11	--
Net income	**$1.37**	**$1.14**

Note 9: Per Share Data—Earnings per share are based on the average number of common and dilutive common equivalent shares outstanding during each year, after giving effect to a 3-for-2 stock split in 1971 and a 5% stock dividend in 1972. The equivalent shares include shares issuable (i) upon the assumed exercise of stock options granted after May 31, 1969, (options granted prior to June 1, 1969 have not been treated as common stock equivalents) reflected under the treasury stock method using the average market price of the Company's shares during each year, and (ii) upon assumed conversion of convertible debentures. Correspondingly, historical net income was increased by the interest on the debentures, net of income tax effect thereon.

Fully diluted per share data reflect additional dilution resulting from the inclusion of (i) options granted prior to June 1, 1969 and the use, in 1972, of quarter end market price in those quarters when such price was higher than average market price, and (ii) in 1971, the year end market price.

Cash dividends per share are based on the current equivalent numbers of shares outstanding at the respective declaration dates.

TABLE 3-30: LONG-TERM LEASES—ACCOUNTING METHODS USED BY LESSORS

	1972	1971	1970	1969
Operating method	47	42	34	35
Financing method	4	2	3	5
Both operating and financing methods	6	3	1	2
Leases referred to, but accounting method not disclosed	39	27	33	30
	96	**74**	**71**	**72**
No indication of leasing activity	504	526	529	528
Total Companies	**600**	**600**	**600**	**600**

LONG-TERM LEASES-DISCLOSURE BY LESSORS

APB Opinion No. 7— Accounting for Leases in Financial Statement 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.

To provide additional guidance for situations involving leases "entered into with independent lessees by manufacturers or dealers to assist in marketing their products or services" The Accounting Principles Board, in November 1972, issued *Opinion No. 27— Accounting for Lease Transactions by Manufacturer or Dealer Lessors. Opinion No. 27* states in part:

> 3. The Board has concluded that more specific criteria are needed to determine when a manufacturer or dealer lessor should recognize a lease transaction with an independent lessee as if it were a sale. This Opinion supersedes the last sentence of paragraph 8 and all of paragraph 12 of APB Opinion No. 7. Except as stated in the preceding sentence, this Opinion does not modify APB Opinion No. 7. Because of the highly specialized problems involved, this Opinion does not apply to lease agreements concerning real estate and natural resources such as oil, gas, timber and mineral rights. It also does not apply to the accounting for lease financing transactions by independent financing institutions and independent leasing companies. The Opinion is, however, applicable to these organizations if they are acting as dealers.
>
> 18. The provisions of this Opinion shall be effective for all lease transactions involving manufacturers or dealers with independent lessees after December 31, 1972. However, the accounting for lease transactions that have previously been entered into in the fiscal year in which December 31, 1972, occurs may be adjusted to comply with the provisions of this Opinion.

Operating Method

EX-CELL-O CORPORATION (NOV)

Consolidated Balance Sheet

ASSETS	
Rental Machines, at Cost:	
Machines under lease and in construction	$107,193,361
Less accumulated depreciation	59,303,061
Net rental machines	**$ 47,890,300**
LIABILITIES AND SHAREHOLDERS' EQUITY	
Deferred Items:	
Rental income on leased machines	$2,086,060
Deferred income taxes	3,826,631
Total deferred items	**$5,912,691**

Consolidated Statement of Earnings and Reinvested Earnings

INCOME:	
Sales and operating revenues, note 3	$281,276,877
Other income, net	8,905,051
	$290,181,928

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies—Sales and Operating Revenues—Sales and earnings from the construction of machinery are recognized under the completed contract method.

Base rentals on machines leased after November 30, 1970 are included in earnings over the estimated lives of the related rental machines. Such rents on machines leased prior to December 1, 1970 are taken into earnings over the period of the base rental of the machines.

Note 3: Rental Machines—Operating revenues from leased machines for 1972 and 1971 amounted to $37,536,660 and $39,224,373 respectively, before deduction of development, installation, servicing costs and depreciation charges on the machines, and expenses of promotion, distribution, administration and financing.

Under the policy adopted December 1, 1970 to include base rentals in earnings over the 10 year estimated lives of the related machines, revenues for 1972 and 1971 are $1,260,000 and $460,000 less, respectively, than if the former policy to include such rentals in earnings over the five year period of the base rental had been continued.

XEROX CORPORATION (DEC)

Consolidated Balance Sheets

	($ Thousands)
CURRENT ASSETS	
Cash	$ 52,087
Marketable securities, at cost which approximates market	182,748
Trade receivables (less allowance for doubtful receivables: 1972—$28,192)	410,649
Accrued rentals	122,810
Inventories, at lower of average cost or market	236,887
Prepaid expenses and other current assets	46,457
Total current assets	**1,051,638**
RENTAL EQUIPMENT AND RELATED INVENTORIES	
At cost (less accumulated depreciation: 1972—$1,067,362)	869,662

Consolidated Statements of Income

OPERATING REVENUES	
Rentals, service and royalties	$1,932,680
Sales	486,423
Total operating revenues	**$2,419,103**

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part): Revenues from Rental Equipment—Revenues from rental equipment are accounted for by the operating lease method. Xerographic revenues are based on the usage of leased machines; computer revenues are based on the periods of the leases.

Rental Equipment and Related Depreciation—Rental equipment is capitalized at cost. Significant improvements which result in conversion from one model to another are capitalized; maintenance and repairs are charged to income. The cost of equipment is depreciated over the estimated useful life of each model, generally five years for copiers and duplicators and four years for computers. The double declining balance method is used to compute depreciation except for equipment outside the U.S. and Canada and computers which are depreciated using the straight line method.

Financing Method

CAVITRON CORPORATION (SEP)

CURRENT ASSETS:	
Cash (note 2)	$ 341,016
Accounts receivable, less allowances of $76,794, in 1972 and $34,705 in 1971, for doubtful accounts	1,473,347
Current portion of receivables under equipment leases, less unamortized discount of $35,685 (note 1)	268,015
Refundable Federal income taxes	— — —
Inventories	2,018,606
Prepaid expenses	48,893
Total current assets	**4,149,877**
LONG-TERM RECEIVABLES UNDER EQUIPMENT LEASES, LESS UNAMORTIZED DISCOUNT OF $12,666 (note 1)	220,234

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting for Lease Agreements—The Company leases certain medical equipment under two or four year noncancellable leases. Payments during the noncancellable term of the lease, net of imputed interest of 10%, are greater than the normal selling price of the product, and accordingly, the lease transaction has been recorded as a sale. The discount based on imputed interest is amortized to income in proportion to the outstanding balance of the related receivable at the beginning of each period. Such method results in a level rate of interest income.

The Company also leases the aforementioned product under agreements which do not meet the criteria of a sale. Pursuant to this type of lease arrangement, revenue is recorded when rentals are due and the related equipment ("revenue equipment") is depreciated over a 2 year period on the straight-line method.

See Note (3) for terms and method of accounting for royalty agreement relating to the development and sale of this product.

Note 5: Lease Agreements—As stated in Note 1, the Company leases certain medical equipment pursuant to agreements that meet the accounting criteria for recording the transaction as a sale. Net sales includes approximately $553,000, representing the present value of the required lease payments, and cost of sales includes approximately $285,000 representing the Company's cost of the product including a provision for estimated service costs which the Company is obligated to provide the lessee.

ITEK CORPORATION (DEC)

Consolidated Balance Sheet

	1972	1971
CURRENT ASSETS		
Cash (including certificates of deposits of $550,000 in 1972 and $3,200,000 in 1971)	$1,796,485	$4,873,334
Accounts receivable, less reserves of $710,000 in 1972 and $610,000 in 1971.	28,442,233	21,052,118
Lease contracts receivable (Note 3)	1,609,058	637,268
Unbilled contract costs and fees	4,631,166	5,266,384
Inventories, at lower of cost (first-in, first-out) or market (Note 4)	37,313,930	28,409,645
Prepaid expenses	2,138,394	1,850,266
Total current assets	**$75,931,266**	**$62,089,015**
Lease Contracts Receivable (note 3)	5,761,987	2,652,459

Consolidated Statement of Income

Net sales and revenues from contracts	$189,056,056	$159,562,381
Costs and expenses (Notes 1,4 and 8)		
Cost of Sales	129,886,269	109,962,155
Selling and distribution expenses	27,885,128	23,775,167
General and administrative expenses	22,745,934	19,449,126
Total costs and expenses	**180,517,331**	**153,186,448**
Income from operations	8,538,725	6,375,933
Income from leasing Subsidiary (Note 3)	345,507	112,617

Note 3: Itek Leasing Corporation—Itek Leasing Corporation (ILC), a wholly-owned financing subsidiary, leases certain of the Company's products and other peripheral equipment to customers. ILC follows the financing method of accounting for these full payout lease contracts. Under this method, the Company recognizes the applicable manufacturing revenues, costs and profits and records the aggregate rental receivable net of the amount of unearned finance income. Finance income is recognized in decreasing amounts, over the period of the lease, which will provide a level rate of return on the unrecovered investment.

The operating results of ILC are reported separately in the statement of income as INCOME FROM LEASING SUBSIDIARY which is net of interest expense of approximately $300,000 in 1972 and approximately $100,000 in 1971. The balance sheet of ILC is consolidated with that of the Company.

Contracts receivable from equipment leases at December 31, 1972 and 1971 are as follows:

	1972	1971
Total lease contracts receivable	$9,909,155	$4,884,537
Less: Unearned finance income and reserves	(2,538,110)	(1,594,810)
Net lease contracts receivable	7,371,045	3,289,727
Less: Net receivables due within one year	(1,609,058)	(637,268)
Lease contracts receivable due after one year	$5,761,987	$2,652,459

Operating and Financing Methods

ACF INDUSTRIES, INCORPORATED (DEC)

($ Thousands)

Consolidated Balance Sheet

	1972	1971
PROPERTY, PLANT AND EQUIPMENT, AT COST—Notes 3 & 5		
Land	$ 6,146	$6,010
Manufacturing facilities	116,777	112,889
Specialized railroad cars leased to others and repair service facilities	439,625	419,342
	562,548	**538,241**
Less—Accumulated depreciation	228,191	209,288
	334,357	**328,953**
NET RECEIVABLE FROM FINANCE LEASING—Notes 3 & 5	13,007	7,808

Consolidated Statement of Income

REVENUES:		
From manufacturing operations	$272,604	$263,791
From railroad car rentals and services	71,075	68,913
Interest and other income	3,924	2,092
Total revenues	**$347,603**	**$334,796**

Major Accounting Policies

Railroad Car Leasing—Most of the Company's Specialized railroad cars are leased to industrial customers under full operating leases. Revenue is recognized as it accrues over the life of the lease. The cost incurred in the manufacture of the cars is capitalized and is depreciated over the estimated useful life of the cars. Maintenance and repair costs are charged to expense as incurred.

Certain leased railroad cars manufactured by the Company in 1971 and 1972 have been recorded under the financing method of accounting. The Company recognized in both years the applicable manufacturing revenues, costs and profit and recorded the aggregate rental receivable net of the amount of unearned financing charges. The unearned financing charges are to be recognized in decreasing amounts which will provide a level rate of return on the unrecovered investment.

Note 3: Net Receivable from Finance Leasing of Railroad Cars

	1972	1971
Aggregate rental receivable	$29,884,000	$18,471,000
Unearned financing charges	(16,389,000)	(10,363,000)
Net receivable from finance leasing	**13,495,000**	**8,108,000**
Portion to be recovered within one year	(488,000)	(300,000)
Balance receivable in installments through 1992	**$13,007,000**	**$7,808,000**

The estimated residual value, $757,720 (1971—$442,000) of these railroad cars is included with specialized railroad cars leased to others.

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 statements of retained earnings follow.

Combined Statement of Income and Retained Earnings

EX-CELL-O CORPORATION (NOV)

Consolidated Statement of Earnings and Reinvested Earnings

	1972	1971
	($ thousands)	
INCOME:		
Sales and operating revenues	$281,276	$284,779
Other income, net	8,905	10,074
	290,181	**294,853**
COSTS AND EXPENSES:		
Cost of sales and operating expenses	227,879	236,732
Selling, general and administrative expenses	38,026	37,302
Interest charges	3,801	4,609
	269,707	**278,643**
Earnings before taxes on income and extraordinary charge	20,474	16,210
U.S. and foreign taxes on income	10,710	8,230
Earnings before extraordinary charge	**9,764**	**7,980**
Extraordinary charge	3,044	1,632
Net earnings	**6,720**	**6,348**
Reinvested earnings at beginning of year	131,720	134,953
	138,440	**141,301**
Dividends declared—$.80 per share in 1972 and $1.1375 in 1971	6,717	9.580
Reinvested earnings at end of year	**$131,723**	**$131,721**

Separate Statement of Retained Earnings

FRUEHAUF CORPORATION (DEC)

Consolidated Statement of Earnings Retained for Use in the Business

	1972	1971
	($ thousands)	
Balance at beginning of the year	$ 88,882	$ 84,531
Net earnings for the year	26,760	19,358
	115,642	**103,889**
Less cash dividends declared:		
4% Preferred stock	87	90
Common stock ($1.70 a share)	14,998	14,917
Total dividends	**15,085**	**15,007**
Balance at end of the year	$100,556	$ 88,882

TABLE 4-1: PRESENTATION OF RETAINED EARNINGS TRANSACTIONS

	1972	1971	1970	1969
Combined statement of income and retained earnings (*80, 154, 201)	199	209	227	227
Seperate statement of retained earnings (*21, 231, 328, 509)	206	222	238	236
Combined statement of retained earnings and additional capital and/or capital stock (*206, 367, 389, 406)	190	164	132	134
Changes shown in balance sheet	5	5	3	3
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

Combined Statements of Retained Earnings and Capital Accounts

APCO OIL CORPORATION (DEC)

Consolidated Stockholders' Equity

	1972	1971
COMMON STOCK:		
Balance at beginning of year	$ 2,610,599	$ 2,503,607
Par value of shares issued:		
Stock options exercised (6,192 shares in 1972 and 6,260 in 1971)	6,192	6,260
Subordinated debt converted (2,374 shares)	---	2,374
4% stock dividend (102,391 shares in 1972 and 98,358 in 1971)	102,391	98,358
Balance at end of year	**2,719,182**	**2,610,599**
ADDITIONAL PAID-IN CAPITAL:		
Balance at beginning of year	32,391,445	30,427,875
Excess of proceeds or fair value over par value of shares issued:		
Stock options exercised	120,178	121,732
Subordinated debt converted	---	72,378
4% stock dividend	2,297,654	1,769,460
Charge arising from sale of common shares by affiliated company	(628,395)	---
Balance at end of year	**34,180,882**	**32,391,445**
RETAINED EARNINGS:		
Balance at beginning of year, as previously reported	26,071,972	23,800,713
Adjustment to reflect the change to the equity method of accounting for investments in 20% to 50% owned corporations	(348,534)	(261,544)
Balance at beginning of year, as restated	25,723,438	23,539,169
Net earnings	7,134,596	4,092,571
	32,858,034	**27,631,740**
Less 4% stock dividend declared	2,453,504	1,908,302
Balance at end of year	**30,404,530**	**25,723,438**
Total stockholders' equity	$67,304,594	$60,725,482

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

Consolidated Statements of Paid-In Capital and Retained Earnings

	1972	1971
	($ thousands)	
PAID-IN CAPITAL:		
Balance, beginning of year	$ 7,585	$ 7,584
Excess of fair market value over cost of treasury stock sold or issued as prizes.	3	1
Balance, end of year	**$ 7,588**	**$ 7,585**
RETAINED EARNINGS:		
Balance, beginning of year	$51,345	$45,678
Add net earnings for the year	7,706	7,556
	59,051	**53,234**
Deduct dividends declared, per share $1.35 in 1972 and $1.325 in 1971	1,925	1,889
Balance, end of year	**$57,126**	**$51,345**

WALT DISNEY PRODUCTIONS

Consolidated Statement of Stockholders' Equity

	Common Shares Number	Common Shares Par Value	Capital in Excess of Par Value	Accumulated Earnings
		($ thousands)		
Balance at October 3, 1980	11,485,834	$14,345	$136,356	$ 67,415
Shares issued				
Exercise of stock options	211,473	264	3,926	
Sale to public in January 1971	1,000,000	1,250	70,548	
Dividends paid				
In cash (18¾c per share)				(2,361)
In stock (2%)	229,998	288	14,031	(14,319)
Net income for the year				26,721
Balance at October 2, 1971	**12,917,295**	**16,147**	**224,861**	**77,456**
Shares issued				
Exercise of stock options (note 5)	312,711	390	5,748	
Conversion of 4¾% convertible debentures (note 5)	784,514	981	97,019	
Income tax benefit from sale of option shares by employees (note 2)			480	
Dividends paid				
In cash (20c per share)				(2,756)
In stock (2%)	259,285	324	25,700	(26,024)
Net income for the year				40,293
Balance at September 30, 1972	**14,273,805**	**$17,842**	**$353,808**	**$ 88,969**

Note 2: Taxes on Income—The Company has adopted the deferral method of accounting for investment credits and accordingly has reduced its Federal income tax provision for the year ended September 30, 1972 by $733,000; estimated credits amounting to $6,418,000 related to qualifying asset additions (including theatrical and television film) put into service through September 30, 1972 are being deferred and will be amortized as a reduction of tax provisions over the service lives of the related assets.

The reduction in the effective tax rate for 1971 arose mainly from tax exempt interest revenues and from special deductions due to premature disposition of stock option shares by employees resulting in a tax reduction of $1,000,000. In 1972 the Company changed its method of accounting for the tax benefit attributable to premature dispositions to conform to a recently approved Opinion by the Accounting Principles Board; accordingly, such tax benefit amounting to $480,000 for 1972 has been credited to capital in excess of par value.

Note 5: Stockholders Equity—On February 1, 1972 the stockholders approved an increase in the authorized common stock from 20 to 75 million shares. On November 28, 1972 a 2-for-1 common stock split to be effected by a 100% stock dividend was declared to holders of record on December 6, 1972, payable January 15, 1973; this transaction has not been reflected in the financial statements.

As at March 2, 1972 the Company issued 784,514 common shares upon conversion at $127.45 per share of substantially all of the 4¾% convertible subordinated debentures issued on June 15, 1971.

Under the 1967 qualified stock option plan, options are granted to key executive, management and creative personnel at prices equal to market value at date of grant. Transactions in outstanding options under the plan during 1972 were as follows:

	Number of Shares	
	Options Granted	Available For Grant
Outstanding October 2, 1971 ($18.29 to $110.91 per share; 304,067 exercisable)	344,192	1,098
Added for 2% stock dividend December 1, 1971	5,920	48
Cancelled	(4,327)	4,327
Granted ($156.75 to $183.63 per share)	5,457	(5,457)
Exercised ($18.29 to $110.91 per share) ...	(312,711)	---
Outstanding September 30, 1972 ($20.10 to $183.63 per share; 15,583 exercisable)	38,531	16

TABLE 4-2: DIVIDENDS ON COMMON STOCK

	1972	1971	1970	1969
Nature of Dividend*				
Cash dividends–per share amount disclosed in statement of retained earnings (*1.495.725) ..	421	417	429	423
Cash dividends–per share amount not disclosed in statement of retained earnings	73	78	87	101
Dividends of pooled companies (*81, 158, 304)	18	22	39	64
Stock dividends	48	44	51	58
Dividends in kind	4	2	2	12
Dividends or distributions to common stockholders	564	563	608	658
Number of Companies				
Making payments or distributions to common stockholders	512	514	532	549
Payments by pooled companies only	--	2	1	3
No payments or distributions to common stockholders	88	84	67	48
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 4-3: DIVIDENDS ON PREFERRED STOCK

	1972	1971	1970	1969
Full dividend paid-per share amount disclosed in statement of retained earnings (*19, 330, 698)	176	165	175	178
Full dividend paid-per share amount not disclosed in statement of retained earnings	72	86	85	78
Dividends in arrears	8	7	6	3
Dividend not currently payable (newly-issued)	2	1	2	7
Number of companies with preferred stock outstanding	**258**	**259**	**268**	**266**

*Refer to Company Appendix Section

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.

Chapter 7B of *ARB No. 43* discusses the accounting for stock dividends. *APB Opinion No. 15* refers to Chapter 7B 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.

Examples of cash and stock dividend presentations follow.

TABLE 4-4: STOCK DIVIDENDS-PERCENT

	1972	1971	1970	1969
5% or less	48	41	49	50
More than 5% but not more than 10%	--	1	2	5
More than 10%	--	2	--	3
Total	**48**	**44**	**51**	**58**

Cash Dividends

ARMSTRONG CORK COMPANY (DEC)

	1972	1971
	($ thousands)	
RETAINED EARNINGS		
Amount at beginning of year	$308,769	$294,412
Net earnings for the year	41,761	35,472
	350,530	**329,884**
Deduct dividends:		
Preferred stock—$3.75 per share	443	443
Voting preferred stock—$2.375 per share	238	238
Common stock—$.80 per share	20,508	20,434
	21,189	**21,115**
Amount at end of year	**$329,341**	**$308,769**

JEWEL COMPANIES, INC. (JAN)

Statement of Retained Earnings

	1973	1972
	($ thousands)	
Beginning of Year:		
Jewel Companies, Inc.	$146.516	$131.571
Republic Lumber Company (pooled company)	592	521
	147,108	**132,092**
Add net earnings	29,866	26.708
	176,974	**158,800**
Deduct cash dividends declared:		
Preferred stock—$3.75 per share	58	84
Common stock—$1.645 per share in 1972; $1.575 in 1971	12,241	11,608
	12,299	**11,692**
End of Year	**$164,675**	**$147,108**

STRUTHERS WELLS CORPORATION (NOV)

Consolidated Statement of Additional Paid-In Capital

	1972	1971
Balance—Beginning of Year	$10,457,137	$10,560,297
Cash distribution paid on $1.25 cumulative preferred stock	(103,160)	(103,160)
Increase due to public sale of stock by 27½% owned company	348,801	---
Balance—End of Year	**$10,702,778**	**$10,457,137**

Notes to the Financial Statements

Note 9: Additional Paid-in Capital—In the absence of retained earnings, cash distributions paid on $1.25 cumulative preferred stock were charged to additional paid-in capital in accordance with applicable Maryland law.

Dividend in Kind

CADENCE INDUSTRIES CORPORATION (DEC)

Statement of Consolidated Common Stock, Additional Paid-in Capital, and Retained Earnings (Deficit)

			($ thousands)	
			Additional	*Retained*
	Common Stock		*Paid-in*	*Earnings*
	Shares	*Par Value*	*Capital*	*(Deficit)*
Balance, January 1, 1972	**1,528,093**	**$1,833**	**$21,221**	**$(21,331)**
Net loss— 1971	--	--	--	(216)
Cash dividend on preferred stock	--	--	--	(129)
Deferred compensation from grant of option	--	--	178	--
Amortization of deferred compensation applicable to minority interest	--	--	(14)	--
Repurchase of 41.250 common stock warrants	--	--	(20)	--
Conversion of 425 shares of preferred stock	437	1	20	--
Conversion of $2.000 of 5½% subordinated debentures	51	--	29	--
Balance, December 31, 1971	**1,528,581**	**1,834**	**21,387**	**(21,676)**
Net earnings—1972	--	--	--	8.222
Cash dividend on preferred stock	--	--	--	(418)
Issuance of 602.173 shares of common stock pursuant to Exchange Offer	602,173	722	3,916	--
Repurchase of 33.750 stock warrants	--	--	(16)	--
Conversion of 160 shares of preferred stock	164	--	7	--
Amortization of deferred compensation applicable to minority interest	--	--	(14)	--
Adjustment to reflect shares not previously recorded	5,099	6	(6)	--
Shares issued on exercise of stock options	1,400	2	8	--
Distribution of 355,756 shares of Hudson Pharmaceutical Corporation (note 8)	--	--	--	(1,258)
Balance, December 31, 1972	**2,137,417**	**$2,564**	**$25,282**	**$(15,130)**

Note 8 (in part): Stockholders' Equity— Distribution of Hudson Pharmaceutical Corporation shares—The Company distributed 355,756 shares of Class A Common Stock of Hudson Pharmaceutical Corporation (Hudson) to its stockholders of record on November 15, 1972 at the rate of one Hudson share for each six shares of the Company's common stock held. After the distribution, the Company owned approximately 79% of the outstanding common stock of Hudson.

EASCO CORPORATION (DEC)

	After Reorganization (Note 1)		Historical Per Annual Report
	1972	1971	1971

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Changes in Financial Position

Consolidated Statements of Shareholders' Equity

	Preferred Stock	*Common Stock*	*Capital Surplus*	*Retained Earnings*
		($ thousands)		
Balance. December 31. 1970–as restated for Reorganization (Note 1)	S245	S6.198	$8.076	$11.216
Net income for the year	--	--	--	3.371
Cash dividends:				
Preferred stock				(572)
Common stock–$.78 per share				(1.989)
Capital stock issued:				
Exercise of stock options (4.231 common shares)		11	48	
Conversion of preferred shares (4.764 common shares)	(3)	12	(9)	--
Excess of market value over cost of treasury shares used for a subsidiary's stock bonus plan (7.304 common shares)	--	--	50	--
Dividend equivalents from Eastmet Corporation (Note 1)	--	--	--	2.909
Balance, December 31, 1971	**242**	**6,221**	**8,165**	**14,935**
Net income for the year				4.350
Cash dividends:				
Preferred stock	--	--	--	(570)
Common stock–$.50 per share	--	--	--	(1.276)
Capital stock issued:				
2% stock dividend (48.074 shares	--	120	691	(811)
Exercise of stock options (2.262 common shares)	--	6	31	--
Conversion of preferred shares (4.311 common shares)	(2)	11	(9)	--
Excess of market value over cost of treasury shares used for a subsidiary's stock bonus plan (4.309 common shares)	--	--	4	--
Dividend equivalents from Eastmet Corporation (Note 1)	--	--	--	316
Balance, December 31, 1972	**$240**	**$6,358**	**$8,882**	**$16,944**

Note 1: Reorganization–On October 31, 1972, the Stockholders approved a Plan of Reorganization which resulted in: (a) the transfer to a new corporation, Eastmet Corporation, of the assets, liabilities and capital, after adjustment for transactions in accordance with the Plan, of Eastern Stainless Steel Division, Industrial Service Centers, Inc. and Philipp Overseas Incorporated; and (b) the distribution of Eastmet common stock to Easco stockholders on a basis of one share of Eastmet common for each two shares of Easco common.

Under the Plan, Eastmet assumed $10,500,000 of Easco's indebtedness as well as the related interest incurred by Easco for all periods such Easco debt was outstanding. Administrative expenses of the corporate office since its formation were charged to Eastmet on a basis deemed applicable by management which, in their opinion, were indicative of the expenses that would not have been incurred had Easco operated historically without Eastmet. The retained earnings of Eastmet and Easco (after the reorganization) are based upon the accumulated earnings of the respective members of each corporation as included in the historical consolidated financial statements of Easco, after the capitalization of $6,537,000 of retained earnings by Easco, which basis was approved by the Board of Directors. Transfers of funds from Eastmet of $316,000 in 1972 and $2,909,000 in 1971 to Easco were considered to be a charge to retained earnings of Eastmet and a direct credit to retained earnings of Easco.

All amounts applicable to Eastmet have been excluded from the accompanying 1972 and 1971 financial statements. The 1971 financial statements as previously reported in the 1971 Annual Report have been included for historical purposes only.

A ruling was obtained from the Internal Revenue Service that, for federal income tax purposes, the Plan was a tax-free reorganization and no gain or loss was recognized by either Easco or its stockholders.

GEORGIA-PACIFIC CORPORATION (DEC)

Statements of income

(1971 columns for Louisiana-Pacific and for Consolidated omitted for presentation purposes)

1972			1971
Georgia-Pacific Excluding Louisiana-Pacific	Louisiana-Pacific	Consolidated	Georgia-Pacific Excluding Louisiana-Pacific
		(Note 1)	

Balance sheets

1972 (Note 1)			1971
Georgia-Pacific Excluding Louisiana-Pacific	Louisiana-Pacific	Consolidated	Consolidated

Statements of changes in financial position

1972 (Note 1)			1971
Georgia-Pacific Excluding Louisiana-Pacific	Louisiana-Pacific	Consolidated	Consolidated

Statements of consolidated surplus

	1972	1971
	($ thousands)	
PAID-IN SURPLUS		
Beginning balance	$570,190	$511,700
Add (deduct):		
Excess of fair value over par value of common stock issued as stock dividends	39,940	50,490
Excess of conversion price over par value of common stock exchanged for convertible securities	100	4,750
Excess of consideration received over par value of common stock sold	4,240	3,250
Distribution of Louisiana-Pacific common stock (Note 1)	(122,500)	--
Ending balance	**$491,970**	**$570,190**
EARNED SURPLUS (NOTE 13)		
Beginning balance	$103,370	$109,240
Add (deduct):		
Net income for year–		
Georgia-Pacific excluding Louisiana-Pacific	97,660	63,660
Louisiana-Pacific	30,840	22,630
Dividends declared–		
On preferred stock	(760)	(1,470)
On common stock		
In cash ($.80 per share)	(41,260)	(39,960)
In common stock (2%)	(41,100)	(50,730)
Distribution of Louisiana-Pacific common stock (Note 1)	(27,500)	
Ending balance	**$121,250**	**$103,370**

Note 1: Principales of Presentation—The consolidated financial statements include the accounts of Georgia-Pacific and all subsidiaries in which it owns more than 50% of the voting stock, after elimination of inter-company balances and transactions.

In June 1971 the Federal Trade Commission (FTC) filed a complaint challenging the acquisition by Georgia-Pacific of 16 companies in the Southern states during the period 1963-1969. Georgia-Pacific believes that the complaint was not justified, but it entered into negotiations with the FTC's staff to explore various means of settling the complaint. In December 1972 a settlement was finalized with the FTC. A principal feature of the settlement was the formation by Georgia-Pacific of a new corporation (named Louisiana-Pacific Corporation) and the transfer to it of certain of Georgia-Pacific's assets and liabilities. Georgia-Pacific agreed that the net worth of Louisiana-Pacific as of January 5, 1973, would not be less than $150 million. In that regard, during January 1973, Georgia-Pacific made cash settlements totalling $29.7 million which brought the net worth to the agreed amount. During January 1973 Georgia-Pacific distributed to its stockholders of record on January 5, 1973, all of the Louisiana-Pacific common stock (13,158,266 shares). All of the above transactions have been recorded as of December 31, 1972, in the financial statements.

The separate company amounts in the accompanying balance sheets and income statements do not necessarily add to the consolidated amounts shown because of the following transactions:

a) Louisiana-Pacific sales to Georgia-Pacific of $117.7 million in 1972 and $77.1 million of 1971 eliminated in consolidation.

b) Louisiana-Pacific accounts receivables from Georgia-Pacific of $5.45 million at December 31, 1972, eliminated in consolidation.

Sales were made by Louisiana-Pacific to Georgia-Pacific primarily for resale by Georgia-Pacific's distribution system. Such sales were made at market prices. Louisiana-Pacific may continue to sell products to Georgia-Pacific, subject to the following limitations imposed by the FTC settlement: Georgia-Pacific may purchase up to 100% of Louisiana-Pacific's plywood production in Louisiana-Pacific's first year of operation as an independent entity, up to 80% in its second year, up to 60% in its third year, up to 40% in its fourth year and up to 20% in each of the next six years.

Georgia-Pacific follows the practice of allocating selling, general and administrative expenses except certain general corporate expenses and interest expense to the operating units. The unallocated general corporate expenses have been retroactively allocated to Louisiana-Pacific on the basis of net sales. Interest expense has been retroactively allocated to Louisiana-Pacific on the basis of total assets. Management believes that these allocations produce a fair and reasonable allocation of costs incurred. Costs to be incurred by Louisiana-Pacific as a separate entity are not expected to vary significantly from these allocated costs.

Provision for income taxes for Georgia-Pacific excluding Louisiana-Pacific represents the difference between the consolidated tax provision and the tax provision computed on a separate return basis for Louisiana-Pacific. The resulting difference approximates the tax provision computed on a separate return basis for Georgia-Pacific excluding Louisiana-Pacific.

Investments in Ketchikan Pulp Company, Ketchikan Spruce Mills, Inc. and Ketchikan International Sales Co. (incorporated December 27, 1971), all 50% owned, are referred to as Ketchikan operations in the financial statements.

Dividends in Arrears

CHRIS-CRAFT INDUSTRIES, INC. (AUG)

Notes to Consolidated Financial Statements

Note (6) (in part): Capital Stock—At August 31, 1972, dividends in arrears on preferred stock were as follows:

	Payable in Cash		
Class	Per Share	Aggregate	Payable in Stock
$1.40 Convertible Preferred Stock	$ .31	$170,870	69,819 shares
$2.00 Convertible Preferred Stock	$3.50	$151,973	--

The Company's Board of Directors omitted dividends which became due on September 30, 1972 and thus increased arrearages on the $1.40 preferred to $232,704 or $.42 per outstanding share, plus 95,923 shares of stock, and increased arrearages on the $2.00 preferred to $173,684 or $4.00 per outstanding share.

Any dividends in arrears are added to the liquidation preferences and redemption prices of the respective classes of preferred stock. No dividends may be paid on common stock while any dividend on preferred stock is in arrears.

GREAT WESTERN UNITED CORPORATION (MAY)

Notes to Financial Statements

Note 7 (in part): Capital Stock, Dividends, and Earnings Per Share—On May 31, 1972 there were 593,155 shares of common stock reserved for the conversion of convertible serial preferred stock (394,430) and exercise of stock options (198,725). In October 1971 the Company's Board of Directors discontinued the payment of cash dividends on the common stock. In February 1972 the Board of Directors discontinued the payment of cash dividends on the $3.00 convertible serial preferred stock and also established a special purpose reserve of surplus in order to conserve working capital. With the establishment of the reserve, there was no surplus legally available for the payment of dividends. Payment of dividends on the $1.88 cumulative preferred stock is mandatory if there is surplus available, while the payment of dividends on the $3.00 convertible serial preferred stock and the common stock is within the discretion of the Board of Directors. (Since the merger of the Company and its predecessors in January 1968, the Company had paid quarterly cash dividends on its $1.88 cumulative preferred stock at the annual rate of $1.88 per share and had paid quarterly cash dividends on the common stock at the annual rate of $.90 per share. Since the issuance of the $3.00 convertible serial preferred stock the Company had paid quarterly cash dividends on that series at the annual rate of $3.00 per share.)

As a result of the omission of the dividends on the $3.00 convertible serial preferred stock and $1.88 cumulative preferred stock, holders of the common stock will not be entitled to receive dividends until full dividends on the $1.88 cumulative preferred stock and on all outstanding series of serial preferred stock (of which the $3.00 convertible serial preferred stock is the only series presently designated) have been paid or provided for. In addition, holders of the $3.00 convertible serial preferred stock will not be entitled to receive dividends until all accrued and unpaid dividends and sinking fund payments on the $1.88 cumulative preferred stock have been paid or provided for. As of May 31, 1972 two quarterly dividends on preferred stock were in arrears amounting to $.94 per share, or $1,428,000, on the $1.88 cumulative preferred stock and $1.50 per share, or $888,000, on the $3.00 convertible serial preferred stock.

MOLYBDENUM CORPORATION OF AMERICA (DEC)

Notes to Consolidated Financial Statements

Note 8 (in part): Capital Stock: Preferred Stock—After reflecting an anti-dilution adjustment, by reason of the distribution of subscription rights to common shareholders as of March 15, 1972, each share of Preferred Stock is convertible into 1.16 shares of Common Stock at the option of the holder, and may be redeemed at the option of the Company at any time, in whole or in part, subject to long-term debt restrictions, at $63 per share on or prior to July 31, 1973, reducing at the rate of $1 per annum thereafter to a minimum redemption price of $50 per share for the fiscal year ending July 31, 1986 and thereafter. Dividends on Preferred Stock are restricted, based on a cash flow formula in the March 1, 1972 amendment to the bank loan agreement. Cumulative arrearage in preferred dividends at December 31, 1972 was $2.50 per share of $502,520.

Stock Dividends

ABERDEEN MANUFACTURING CORPORATION (DEC)

Consolidated Statement of Additional Paid-in Capital and Retained Earnings

	1972	1971
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of year	$3,086,529	$3,086,529
Excess of fair market value of 4% stock dividend distributed on March 21, 1972 over par value of shares issued	433,487	---
Amount in excess of par value of common stock upon conversion of $16,000 of convertible subordinated debentures, less cash paid for fractional shares	15,016	---
Balance, end of year	**$3,535,032**	**$3,086,529**
RETAINED EARNINGS:		
Balance, beginning of year	$4,899,594	$4.048,290
Net income for the year	1,824,040	1,194,092
Total	**6,723,634**	**5,242,382**
Less: Cash dividends—40c a share	353,200	342,788
Fair market value of 4% stock dividend distributed on March 21, 1972 plus cash paid in lieu of fractional shares	471,331	---
	824,531	**342,788**
Balance, end of year	**$5,899,103**	**$4,899,594**

Notes to Financial Statements

Note 7: Common Stock—The change in common stock for 1972 is as follows:

Balance, beginning of year	$856,969
Par value of shares issued on conversion of $16,000 face value of subordinated debentures	963
Par value of shares issued on 4% stock dividend	33,999
Balance, end of year	**$891,931**

Since the par value of the common stock is $1 a share, the foregoing analysis of changes also shows the changes in the number of shares issued.

There were no changes in common stock for 1971.

ANDERSON, CLAYTON & CO. (JUN)

	($ thousands)	
CONSOLIDATED RETAINED EARNINGS:		
Balance at beginning of year	$145,170	$136,234
Adjustment to change insurance companies to fiscal year basis	---	1,198
Balance as restated	145,170	137,432
Net income for year	16,962	11,692
	162,132	**149,124**
Dividends paid:		
Cash:		
Preferred stock	240	240
Common stock	3,794	3,714
Stock—common stock (Note 12)	7,009	---
	11,043	**3,954**
Balance at end of year	$151,089	$145,170

Note (12): On April 14, 1972, the Company paid a 4% common stock dividend (129,621 shares). Retained Earnings was charged for the fair market value of the stock issued and for cash ($42,000) paid in lieu of fractional shares. In addition common stock was credited for $2,826,000 and additional paid-in capital for $4,141,000.

ASSOCIATED SPRING CORPORATION (DEC)

Statements of Consolidated Shareholders' Equity

	1972	1971
COMMON STOCK		
Balance at beginning of year	$14,125,965	14,014,197
Par value of shares sold under stock option plan	---	111,768
Par value of shares issued as 8% stock dividend— Note G (169,510 shares)	1,130,073	---
Balance at end of year	**$15,256,038**	**$14,125,965**
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	$16,936,377	$16,764,080
Proceeds in excess of par value of Common Stock sold under stock option plan	---	172,297
Excess of market value over par value of Common Stock issued as 8% stock dividend— Note G	4,284,823	---
Balance at end of year	**$21,221,200**	**$16,936,377**
RETAINED EARNINGS		
Balance at beginning of year	$23,376,789	$21,244,364
Net income for year	6,438,351	4,666,767
	29,815,140	**25,911,131**
Dividends:		
Cash (1972—$1.13 a share; 1971—$1.11 a share)—Note G	2,593,514	2,534,342
Market value of shares of Common Stock issued as 8% stock dividend—Note G	5,414,896	---
	8,008,410	**2,534,342**
Balance at end of year	**$21,806,730**	**$23,376,789**

Note G: Stock Dividend—On August 18, 1972, the Board of Directors declared an 8% stock dividend, payable on September 29, 1972, to holders of record on September 1, 1972 which resulted in the issuance of 169,510 shares of Common Stock, and the transfer of $5,414,896 from retained earnings to Common Stock—$1,130,073 and to additional paid-in capital—$4,284,823. Net income per share and dividends per share for 1971 have been adjusted to reflect additional shares issued in connection with the 8% dividend.

THE PITTSTON COMPANY

Consolidated Statement of Stockholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
		($ thousands)		
Balance at December 31, 1970	$15,472	$77,896	$82,285	($1,967)
Consolidated net income	---	---	43,436	---
Market value of 457,585 shares of Common Stock issued as a 3% stock dividend February 11, 1971	458	17,310	(17,768)	---
Sale of 55,910 shares of Common Stock under Stock Option Plans	55	616	---	---
Exchange of 90,000 shares of Treasury Common Stock for net assets acquired in a transaction accounted for as a pooling of interests	---	119	(335)	786
Acquisition of 12,090 shares of Common Stock for Treasury (12,086 shares obtained through purchase of a subsidiary)	---	---	---	(560)
Cash dividends declared—$.57* per share	---	---	(9,487)	---
Balance at December 31, 1971	**15,985**	**95,941**	**98,130**	**(1,741)**
Consolidated net income	---	---	28,585	---
Market value of 475,192 shares of Common Stock issued as a 3% stock dividend February 10,1972	475	19,245	(19,720)	---
Sale of 24,914 shares of Common Stock under Stock Option Plans	25	277	---	---
Cash dividends declared—$.58* per share	---	---	(9,796)	---
Balance at December 31, 1972	**$16,486**	**$115,463**	**$97,199**	**($1,741)**

ELECTRIC HOSE & RUBBER COMPANY (AUG)

RETAINED EARNINGS	
Balance at beginning of year	$10,522,300
Add (deduct)	
Net income (loss)	377,100
Dividends	
Cash—$.60 per share in 1971	
Stock—three dividends of 2% each during 1972	(730,400)
Balance at end of year	**$10,169,000**

Notes to Financial Statements

Note (7): Capital stock and stock dividends—The Board of Directors has the authority to issue the authorized unissued preferred stock at their discretion with preferences and rights and at prices which it deems appropriate.

During fiscal 1972, three stock dividends of two percent each were declared by the Board of Directors on the issued common stock of the Company including common shares held in the treasury. Based on fair values at dates of declaration, the issuance of the 87,229 shares during the year resulted in the capitalization of retained earnings of $730,400 as follows: Common stock, $5.00 par value – $436,100 and capital in excess of par value $294,300.

An additional two percent stock dividend was declared by the Board of Directors on September 19, 1972, payable November 3, 1972, to stockholders of record October 2, 1972.

Note (8): Net income (loss) per share—Net income (loss) per share is based on the average number of shares outstanding during the period adjusted for stock dividends (including the 2% stock dividend declared September 19, 1972) of 1,454,630.

LOUISVILLE CEMENT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note C: Stock Dividend—On November 1, 1972, the Company distributed a 4% stock dividend on outstanding common stock; accordingly, $316,985, representing 63,397 shares of common stock at $5 par value, was credited to the capital stock account, $1,382,847, representing the excess of the market value of such shares over the par value thereof, was credited to additional paid-in capital and $1,707,824 was charged to retained earnings.

TABLE 4-5: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	1972	1971	1970	1969
Reasons for Adjustment				
Poolings of interests	67	69	97	185
Equity method adopted for investments	41	56	7	8
Litigation or income tax settlements	26	15	17	25
Taxes on undistributed earnings	19	--	--	--
Consolidation of subsidiaries previously carried at cost	6	11	11	6
Other	23	20	18	23
Total Presentations	**182**	**171**	**150**	**247**
Manner of Presentation				
Prior year's balance sheet restated–retained earnings statement shows amount of adjustment	127	117	68	112
Prior year's balance sheet restated–retained earnings statement shows adjusted balance only	46	44	79	104
Prior year's balance sheet not restated	9	10	3	31
Total Presentations	**182**	**171**	**150**	**247**
Number of Companies				
Opening balance of retained earnings adjusted	156	144	132	195
Opening balance of retained earnings not adjusted	444	456	468	405
Total	**600**	**600**	**600**	**600**

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 certain accounting changes described in paragraph 27 of *APB Opinion No. 20—Accounting Changes;* changes in a reporting entity because of either a pooling of interests or consolidation of a subsidiary previously carried as an investment at cost; adoption of the equity method for investments; adoption of policy of accruing taxes on undistributed earnings of consolidated subsidiaries or investees; correction of an error in prior period financial statements; and settlement of litigation, income taxes, or renegotiation proceedings. Pertinent authoritative pronouncements describing the manner of reporting the aforementioned accounting events include Appendix B of *Opinion No. 20* which pertains to accounting principle changes discussed in paragraph 27 of *Opinion No. 20;* paragraphs 56 to 65 of APB *Opinion No. 16—Business Combinations* and paragraph 35 of *Opinion No. 20* which relate to poolings of interests and consolidation changes, respectively; and paragraphs 18 and 26 of APB *Opinion No. 9—Reporting the Results of Operations* which relate to the equity method, tax accrual on undistributed earnings, correction of an error and litigation, etc. settlements.

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 presentation of such adjustments. Examples of adjustments follow.

Change in Reporting Entity

CENTRAL SOYA COMPANY, INC. (AUG)

Consolidated Statement of Retained Earnings

	1972	1971
Balance at beginning of year, including in 1971 $10,820,145 from restatement for companies acquired in poolings of interests during 1972	$ 97,919,281	$ 89,437,277
Net earnings	16,154,198	15,347,992
	114,073,479	**104,785,269**
Cash dividends by Central Soya–$1.00 per share	7,317,448	6,712,055
Adjustment in 1972 and distributions in 1971 by pooled companies	316,466	153,933
	7,633,914	**6,865,988**
Balance at end of year	**$106,439,565**	**$ 97,919,281**

Notes to Consolidated Financial Statements

Poolings of interests—During 1972, six domestic companies (J.H. Filbert, Inc., Western Feed and Milling Company, Inc., and Pay Way Feed Mills, Inc. and its affiliates) were acquired in exchange for an aggregate of 990,358 capital shares, in transactions accounted for as poolings of interests. Filbert is a manufacturer of consumer food products and the other companies are engaged primarily in the manufacturing of livestock feeds. The 1971 Consolidated Statement of Earnings has been restated to include the pooled companies' revenues and net earnings of $79,974,726 and $1,314,393, respectively. Prior to the combinations, 1972 revenues and net earnings of the pooled companies were $48,634,302 and $604,603, respectively.

The accounts and transactions of Filbert, whose fiscal year ended on December 31, 1971, have been included in the 1971 consolidated financial statements on the basis of their fiscal year. The 1972 consolidated financial statements include the transactions of Filbert for a year ended August 31, 1972. As a result, the net earnings ($316,466) of Filbert for the four months ended December 31, 1971, which are included in both the 1971 and 1972 Consolidated Statement of Earnings, are shown as an adjustment to consolidated retained earnings.

SQUARE D COMPANY (DEC)

Consolidated Statement of Shareholders' Equity

	Common stock—$1.66⅔ par value, 30,000,000 shares authorized		*Additional Paid-in Capital*	*Retained Earnings*
	Shares	*Amount*		
		($ thousands)		
Preferred Stock—6,000,000 shares authorized, none issued				
Balance, January 1, 1971, as originally reported	22,898,165	$38,163	$ 9,790	$ 89,357
Adjustment to reflect consolidation of all subsidiaries (Note B)	--	--	--	8,442
Pooling adjustment	(170)	--	--	--
Balance, January 1, 1971, adjusted	**22,897,995**	**38,163**	**9,790**	**97,799**
Exercise of stock options	29,433	49	476	---
Net earnings	--	--	--	30,686
Cash dividends ($.95 per share)	---	---	---	(21,631)
Merger expenses	---	---	(134)	---
Balance, December 31, 1971	**22,927,428**	**38,212**	**10,132**	**106,854**
Exercise of stock options	53,556	89	882	---
Net earnings	---	---	---	35,099
Cash dividends ($1.02 per share)	---	---	---	(23,421)
Balance, December 31, 1972	**22,980,984**	**$38,301**	**$11,014**	**$118,532**

Note B: Purchase of Minority Interest—In October, 1972 the Company purchased the minority interest in certain subsidiaries in Europe and Australia. The purchase price was $10,282,875 cash, financed by a Eurocurrency loan. Net income applicable to the purchased interest is included in the Consolidated Statement of Net Earnings from the date of purchase.

In conjunction with the purchase of the minority interest, the Company has changed its consolidation policy to include the accounts of all subsidiaries. Comparative statements for prior years have been restated to reflect this change which had the effect of increasing 1972 and 1971 revenues by $21,919,000 and $21,142,000, respectively, and 1972 and 1971 net earnings by $665,000 (3c per share) and $459,000 (2c per share), respectively.

The Company's equity (net of estimated taxes) in subsidiaries outside the U.S. and Canada is:

	1972	**1971**
Net assets at December 31	$17,039,703	$11,483,573
Net earnings for the year	1,140,001	1,359,642

TWENTIETH CENTURY-FOX FILM CORPORATION
(DEC)

Statements of Consolidated Retained Earnings (deficit)

	1972	**1971**
	($ thousands)	
	(53 Weeks)	*(52 Weeks)*
Balance, beginning of year		
Previously reported	$(11,913)	$(33,784)
Retained earnings of subsidiaries not previously consolidated (note 1 (a))	---	12,148
Restated	**(11,913)**	**(21,636)**
Net earnings	7,808	9,723
Balance, end of year	**$ (4,105)**	**$(11,913)**

Note 1 (a): Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its domestic and foreign subsidiaries. Earnings in excess of amounts remitted during the year from foreign territories with severe currency restrictions have been excluded from consolidated operations. All significant intercompany accounts and transactions have been eliminated. Certain reclassifications of the 1971 financial statements have been made to conform to the 1972 presentation.

In 1972 the Company adopted the policy of consolidating the accounts of its subsidiaries operating major theatre circuits in Australia and New Zealand. The 1971 financial statements have been restated accordingly. This change in consolidation policy had the effect of increasing earnings before extraordinary items by $199,000 ($.02 per share) and decreasing net earnings by $1,973,000 ($.23 per share) in 1972 and increasing earnings before extraordinary items by $365,000 ($.05 per share) and net earnings by $725,000 ($.09 per share) in 1971.

The financial statements of foreign operations are translated into U.S. dollars at current exchange rates, except investments and property and equipment and related depreciation and amortization which are translated at the rates prevailing at the dates of expenditure. Translation gains and losses, which have not been significant, are included in consolidated earnings. The favorable effect of the devaluation of the U.S. Dollar in February 1973 has not been reflected in 1972.

PUROLATOR, INC. (DEC)

Statement of Consolidated Stockholders' Equity

	Common stock, par value $.33⅓ per share	Additional paid-in capital	Retained earnings	Treasury stock
		1972 ($ thousands)		
Balance at beginning of year. as previously reported	S 750	11.312	45.129	2.688
Adjustment for 100% stock distribution	750	(750)	---	---
Adjustments to reflect poolings of interests (note 1)	57	161	1,802	---
Balance at beginning of year, as adjusted	**1,557**	**10,723**	**46,931**	**2,688**
Add: Net earnings	---	---	11,519	---
Treasury stock issued upon exercise of options	---	302	---	(861)
Issuance of 11,568 additional shares of stock in connection with prior poolings	3	(3)	---	---
	1,560	**11,022**	**58,451**	**1,827**
Deduct: Cash dividends paid–$.83 per share	---	---	3,779	---
Balance at end of year	**$1,560**	**11,022**	**54,671**	**1,827**
Total stockholders' equity		**$65,426**		
		1971 (Note 1)		
Balance at beginning of year, as previously reported	685	9,669	35,615	2,906
Adjustment for 100% stock distribution	685	(685)	---	---
Adjustments to reflect poolings of interests (note 1)	168	614	4,316	---
Adjustment for equity method of accounting for investment in affiliated companies	---	---	493	---
Balance at beginning of year, as adjusted	**1,539**	**9,598**	**40,425**	**2,906**
Add: Net earnings	---	---	9.889	---
Purchase of 848 shares of treasury stock	---	---	---	31
Issuance of 36.500 shares of stock to acquire subsidiaries	13	1.111	---	---
Treasury stock issued upon exercise of options	---	89	---	(249)
Issuance of 17,346 additional shares of stock in connection with prior poolings	5	(5)	---	---
	1,557	**10,793**	**50,314**	**2,688**
Deduct: Cash dividends paid–$.80 per share	---	---	3.348	---
Dividend paid by pooled company prior to acquisition	---	---	34	---
Costs in connection with poolings of interests	---	70	---	---
Balance at end of year	**$ 1,557**	**10,723**	**46,932**	**2,688**
Total stockholders' equity		**$56,523**		

Note 1 (in part): Acquisitions—During 1972 and 1971, the Company issued 170,364 and 332,880 shares, respectively, of its previously unissued common stock in exchange for all of the stock of ten companies (four in 1972 and six in 1971). Such transactions have been accounted for as poolings of interests, and, accordingly, the 1971 financial statements have been restated to include the companies pooled in 1972.

The following is a reconciliation of total revenues and net earnings before and after the pooling transactions:

	Total revenues	Net earnings
Year ended December 31, 1972:		
Excluding companies pooled during the year	$208,909,150	11.416,701
1972 poolings:		
Before date of combination	3,533,806	64,535
After date of combination	7,987,660	37,902
Total	**$220,430,616**	**11,519,138**
Year ended December 31, 1971:		
Excluding companies pooled during the year	168,938,357	8,708,313
1971 poolings:		
Before date of combination	6,372,532	494,519
After date of combination	4,651,311	375,742
Total as originally reported	**179,962,200**	**9,578,574**
Adjustments for 1972 poolings	9,789,448	310,880
Total restated	**$189,751,648**	**9,889,454**

VEEDER INDUSTRIES INC. (DEC)

	1972	**1971**
RETAINED EARNINGS AT BEGINNING OF YEAR		
As previously reported	$23,518,299	$21,933,728
Adjustment–consolidation of Brazilian subsidiary–Note A	525,901	404,270
As restated	**24,044,200**	**22,337,998**
	27,596,291	**26,046,452**
Cash dividends (1972 and 1971–$1.60 a share)	1,971,804	2,002,252
Retained Earnings at End of Year	**$25,624,487**	**$24,044,200**

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

New international monetary agreements in late December 1971 resulted in a devaluation of the dollar and the realignment of foreign currencies. Consequently, the appropriate accounts of the foreign subsidiaries and unconsolidated associate company were included in the consolidated balance sheet at December 31, 1971 at the new exchange rates. The Company elected not to reflect the unrealized gain of $239,781 as income for 1971 but recorded such amount as a reserve for future currency fluctuations and revaluations. Unrealized losses resulting from the translation of foreign currency in 1972 amounted to $226,014 which was charged against the reserve established in 1971. Accordingly, no unrealized amounts from translation have been charged to 1972 operations.

In 1972 the Company's wholly owned Brazilian subsidiary was consolidated in order to more fully incorporate this operation in the Company's financial statements, since the economic conditions in Brazil appear to be more stable than in the past. Previously the Brazilian subsidiary had been included in the consolidated statements at cost, less reserve. The financial statements for 1971 have been restated for comparative purposes. This change in accounting entity, together with related adjustments, resulted in an increase to income before extraordinary items and to net income of $205,149 for 1972 and $121,631 for 1971. Income before extraordinary items and net income per share of Common Stock increased $.17 for 1972 and $.10 for 1971.

Consolidated retained earnings include undistributed retained earnings of foreign subsidiaries of approximately $6,010,000 at December 31, 1972 and $5,300,000 at December 31, 1971. These retained earnings may be subject to income and other taxes if and when remitted to the parent company; however, it is management's intent to reinvest undistributed earnings of foreign subsidiaries.

Equity Method Adopted

CORNING GLASS WORKS (DEC)

Consolidated Statements of Income and Retained Earnings

	1972	1971
	($ thousands)	
Net income (per share $3.09–1972; $1.94–1971)	**$ 54,274**	**$ 34,050**
RETAINED EARNINGS AT BEGINNING OF YEAR		
As previously reported	316,814	305,676
Equity in accumulated undistributed earnings of associated companies (Note 1)	45,588	45,435
DIVIDENDS		
Preferred stock–$3.50 per share	(24)	(30)
Common stock–$1.35 per share 1972; $1.30 per share 1971	(23,704)	(22,729)
Transferred to common stock account in connection with stock split	(22,706)	---
Retained Earnings at end of year	**$370,242**	**$362,402**

Notes to Consolidated Financial Statements

Note 1: Investments—In compliance with Accounting Principles Board Opinion No. 18, the company adopted in 1972 the equity method of accounting for investments in companies in which the interest owned is 20% to 50%, except for Owens-Corning Fiberglas Corporation which is not controlled. Earnings and retained earnings of periods prior to 1972 have been restated as is required by Opinion No. 18. As a result of this accounting change, income before extraordinary items and net income for 1972 and for 1971 were increased $8,847,000 ($.50 per share) and $153,000 ($.01 per share), respectively, recognizing that dividends received from equity basis companies were $1,402,000 in 1972 and $5,165,000 in 1971.

Of the $81,010,000 investments accounted for at equity in net assets at December 31, 1972, Dow Corning Corporation and Pittsburgh Corning Corporation, 50% owned joint ventures, represented $62,725,000. A list of investments accounted for at equity appears on page 29. Consolidated retained earnings includes equity in undistributed earnings of these companies of $50,670,000 at December 31, 1972, and $45,588,000 at January 2, 1972.

Owens-Corning Fiberglas Corporation dividends of $3,132,000 in 1972 and $3,023,000 in 1971 are included in income. The excess of the quoted market value over the cost of this investment was approximately $217,076,000 at December 31, 1972, and $209,496,000 at January 2, 1972.

Statement of Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of all significant subsidiary companies.

The equity method of accounting has been adopted for all investments in associated companies in which the company's interest is 20% to 50%, except Owens-Corning Fiberglas Corporation. The company, under a 1949 consent decree, is enjoined from exercising any control over Owens-Corning Fiberglas Corporation. Under the equity method, the company recognizes its share in the net earnings or losses of these associated companies as they occur rather than when dividends are received. Investments in Owens-Corning Fiberglas Corporation and in companies in which the ownership interest is less than 20% are carried at cost.

NORTH AMERICAN ROCKWELL CORPORATION (SEP)

Consolidated Retained Earnings

Years Ended September 30

	1972	1971
RETAINED EARNINGS AT BEGINNING OF THE YEAR:		
As previously reported		$565,618,000
Adjustment for change to equity method of accounting for affiliated companies		4,799,000
As restated	$598,357,000	570,417,000
Add–Net income for the year	86,083,000	67,753,000
Total	**684,440,000**	**638,170,000**

Deduct:		
Cash dividends declared:		
Common (per share–1972, $1.50; 1971, $1.25)	32,959,000	27,717,000
Preferred:		
Series A (per share–$4.75 in each year)	7,146,000	7,146,000
Series B (per share–$1.35 in each year)	4,205,000	4,399,000
Portion of cost of treasury stock purchased	14,200,000	551,000
Total	**58,510,000**	**39,813,000**
Retained Earnings at End of the Year	**$625,930,000**	**$598,357,000**

Notes to Financial Statements

Note 5 (in part): Investments– In 1972, the Company adopted the equity method of accounting for all its investments in common stock of affiliated companies owned 20% or more as recommended by the Accounting Principles Board; accordingly, financial statements for 1971 have been restated to give retroactive effect to the change. Under the equity method, the Company's share of the net earnings or losses of these companies is included currently in consolidated net income, whereas, prior to 1972, only dividends as received were included in consolidated net income. As a result of this change, consolidated income before extraordinary credit increased by $2,119,000 ($.10 per share) in 1972 and decreased by $696,000 ($.03 per share) in 1971. Consolidated net income increased by $1,760,000 ($.08 per share) in 1972 and decreased by $876,000 ($.03 per share) in 1971. The unamortized intangibles resulting from these investments at September 30, 1972 and 1971 amounted to $9,518,000, and $8,685,000, respectively, and represent the excess of the carrying value of the investments over the Company's equity in the underlying net assets of the affiliates at those dates.

REPUBLIC STEEL CORPORATION (DEC)

Statement of Consolidated Income Retained and Invested in the Business

	1972	1971 (Restated)
Balance at beginning of year as previously reported	$698,751,980	$720,787,577
Adjustment of investments in associated companies from cost thereof to equity in net assets at January 1–Note A	14,178,098	15,460,863
Balance as restated	**$712,930,078**	**$736,248,440**
Net income for the year	43,060,683	136,452
Cash dividends paid on common stock (1972–$1.25 per share; 1971–$1.45 per share)	(20,219,668)	(23,454,814)
Balance at end of year	**$735,771,093**	**$712,930,078**

Note A: Restatement—Effective January 1, 1972, the Corporation adopted the equity method of accounting for investments in foreign subsidiaries, companies in which a 20% or greater interest is held, and corporate joint ventures. This change from the cost method was made to comply with an opinion of the Accounting Principles Board. Previously, the equity method was used only for domestic subsidiaries and 50% owned companies. Financial statements of prior years have been restated to reflect an increase, as of January 1, 1971, in investments ($20,798,140), deferred income taxes ($5,337,277) and income retained and invested in the business ($15,460,863). Net income for the year 1971 was reduced by $1,282,765, or $.08 per share of common stock, from the amount previously reported. This change had no significant effect on net income for 1972.

Litigation Settlements

FIRST NATIONAL STORES INC. (MAR)

Consolidated Statement of Income and Retained Earnings

	1972	1971
	($ thousands)	
Net income (loss)	**$(689)**	**$3,511**
Retained earnings at beginning of year, as previously reported	– –	58,341
Add–prior period real estate tax adjustment, less $567,000 tax effect (Note 2)	– –	614
Retained earnings at beginning of year, as restated	**61,108**	**58,955**
Cash dividends declared–$.75 per share in 1972 and $1.00 in 1971	(1,020)	(1,358)
Retained earnings at end of year	**$59,399**	**$61,108**

Note 2: Prior Period Adjustment—In April 1972 the Company settled a lawsuit regarding the assessed valuation of its main plant and headquarters resulting in a reduction of real estate taxes paid or accrued for the years 1964 through 1971. Prior years' financial statements have been restated in accordance with the terms of the settlement. Retained earnings at March 28, 1970 has been increased by the amount of the settlement applicable to fiscal years prior to that date amounting to $1,181,000, less $567,000 representing the related income tax effect. Net income for the year ended March 27, 1971 has been increased by $121,000 ($.09 per share) as a result of the settlement.

MAULE INDUSTRIES, INC. (DEC)

Consolidated Statement of Income and Retained Earnings

	1972	1971
Net income	**$ 4,057,057**	**$ 3,510,711**
Retained earnings, beginning of year, as previously reported	13,254,735	10,072,842
Prior period adjustments (Note 6)	(306,671)	(306,671)
As restated	**12,948,064**	**9,766,171**
	17,005,121	**13,276,882**
Dividends paid or declared:		
Preferred stocks	1,561,189	– –
Common stock– $.30 per share in 1972 and 1971	328,159	328,818
	1,889,348	**328,818**
Retained earnings, end of year	**$15,115,773**	**$12,948,064**

Note 6: Prior Period Adjustments—During 1972, the Company, together with a number of other concrete product companies reached a settlement in the antitrust action which related to the sale of ready-mix concrete in Dade and Broward Counties, Florida over a period of years beginning in 1967. The Company's share of

the settlement requires a cash payment of $668,040 in February 1973 and the issuance of a $281,280 eight year installment note.

Also during 1972, the Company received a final payment of $500,809 in settlement of a condemnation suit brought by the Company against the State Road Department in connection with certain land condemned in 1966.

The two settlements described above have been treated as prior period adjustments and the accompanying financial statements have been appropriately restated. The effect of the adjustments, net of related income tax effect by period on extraordinary items and net income is as follows:

	Gross Amount	Income Tax Effect*	Net (Decrease) Increase Income
Anti-trust settlement:			
1970	($ 25,000)	$ 4,590	($ 20,410)
1969	(75,000)	18.359	(56.641)
1968	(339,728)	82,614	(257,114)
1967	(509,592)	123,918	(385,674)
	(949,320)	**229,481**	**(719,839)**
Condemnation settlement:			
1966	500,809	(87,641)	413,168
***Net of federal investment tax credits.**	**($448,511)**	**$141,840**	**($306,671)**

Taxes On Undistributed Earnings

HOUDAILLE INDUSTRIES, INC. (DEC)

Statement of Consolidated Retained Earnings

	1972	1971 As Adjusted (Note A)
Balance. January 1 as previously reported	$62,884,705	$59.945,714
Deduct:		
Adjustment for the cumulative effect on prior years of applying retroactively the new method of providing for deferred taxes on undistributed earnings of foreign subsidiaries. (Note A)	1,660,000	1,402,000
Balance, January 1 as restated	**61,224,705**	**58,543,714**
Add:		
Consolidated net income for the year	12,803,715	8,127,621
Total	**74,028,420**	**66,671,335**
Deduct:		
Cash dividends:		
Prior preferred stock–$2.25 a share	427,511	427,508
Convertible preferred stock–Series A–1972,$.84⅜; 1971, $1.12½ a share (Note C)	11,878	23,387
Common stock– 1972, $.70 a share; 1971, $.60 a share	5,843,663	4,995,735
Total	**6,283,052**	**5,446,630**
Balance, December 31	$67.745,368	$61,224,705

Notes to Financial Statements

Note A (in part): Accounting Change—The Corporation in 1972 adopted the practice of providing for deferred income taxes related to the undistributed earnings of its foreign subsidiaries in compliance with Opinion 23 (published April 1972) of the Accounting Principles Board of the American Institute of Certified Public Accountants. Accordingly, retained earnings at the beginning of 1971 have been charged with the deferred taxes ($1,402,000) related to the undistributed foreign subsidiaries' earnings at that date. The effect of this accounting change on 1972 earnings is a decrease of $234,000 ($.03 per share) and on earnings as previously reported for 1971 is a decrease of $258,000 ($.03 per share).

KOEHRING COMPANY (NOV)

Consolidated Statement of Earnings Retained in the Business

	1972	1971
	($ thousands)	
Balance at Beginning of Year:		
As previously reported		$49.521
Adjustment, for change in deferred income tax accounting		(3,270)
As restated	**$47,171**	**$46,251**
Net Earnings for the Year:	5,193	3,042
DEDUCT, cash dividends declared:		
On convertible preferred stock:		
Series F, 5%–$2.50 a share	60	60
Series G, 5%–$1.50 a share	93	93
Series H, 5½%–$2.75 a share	896	896
Series I, 5%–$2.50 a share	493	493
On common stock–$.20 a share	580	580
	2,122	**2,122**
Balance at End of Year	**$50,242**	**$47,171**

Notes to Financial Statements

Note (1): Restatement of Prior Years—In accordance with Accounting Principles Board Opinion No. 24, the Company in 1972 provided for potential U.S. income taxes on the undistributed earnings of Koehring Overseas Corporation, S.A. Accordingly, prior years have been restated to provide for such taxes on the earnings recognized in those years. The effect on earnings is a reduction of $806,000 ($.28 per share) in 1972 and $800,000 ($.27 per share) in 1971. Earnings retained in the business have been reduced by $3,270,000 as of December 1, 1970, to reflect the prior year's effect of the restatement.

The consolidated financial statements for 1971, after the above described restatement for the change in accounting, which are presented for comparative purposes, were examined and reported on by public accountants other than Arthur Andersen & Co.

CELANESE CORPORATION (DEC)

Consolidated Statements of Changes in Stockholders' Equity

	1972	1971	1970	1969	1968
			($ millions)		
RETAINED INCOME					
Balance as previously reported	286.2	340.8	318.7	268.2	370.8
Taxes on undistributed income of affiliates	(1.4)	(1.2)	(1.0)	(0.8)	(0.6)
As restated	**284.8**	**339.6**	**317.7**	**267.4**	**370.2**
Net income/(loss)	43.9	(22.9)	53.4	82.2	(71.2)
Dividends	(32.0)	(31.9)	(31.5)	(31.9)	(31.6)
Balance at end of year	**296.7**	**284.8**	**339.6**	**317.7**	**267.4**

Notes to Consolidated Financial Statements

Restatement of Financial Statements—In 1972, Celanese retroactively provided taxes on the undistributed income of affiliates. Income before extraordinary items and net income for the years 1968 through 1971 have been restated for this change as follows:

(millions, except per share)

	1971		1970		1969		1968	
	Amount	Per share	Amount	Per share	Amount	Per share	Amount	Per share
INCOME BEFORE EXTRAORDINARY ITEMS:								
As previously reported	$ 59.5	$ 4.01	$ 52.8	$ 3.55	$ 79.3	$ 5.48	$ 61.2	$ 4.16
Income taxes retroactively provided	(0.2)	(.02)	(0.2)	(.01)	(0.2)	(.01)	(0.2)	(.02)
As restated	**$ 59.3**	**$ 3.99**	**$ 52.6**	**$ 3.54**	**$ 79.1**	**$ 5.47**	**$ 61.0**	**$ 4.14**
NET INCOME/(LOSS):								
As previously reported	$(22.7)	$(1.96)	$ 53.6	$ 3.61	$82.4	$ 5.71	$ (71.0)	$(5.52)
Income taxes retroactively provided	(0.2)	(.01)	(0.2)	(.02)	(0.2)	(.02)	(0.2)	(.02)
As restated	**$(22.9)**	**$(1.97)**	**$ 53.4**	**$ 3.59**	**$ 82.2**	**$ 5.69**	**$(71.2)**	**$(5.54)**

ELI LILLY AND COMPANY (DEC)

Statement of Consolidated Income and Reinvested Earnings

	1972	1971
Net Income	$126,278,866	$100,499,138
Reinvested earnings at beginning of year, as previously stated	418,712,773	370,120,880
Add adjustments for the cumulative effect on prior years of retroactive accounting changes—Note B	17,300,000	12,950,000
Reinvested earnings at beginning of year, as restated	**436,012,773**	**383,070,880**
	562,291,639	483,570,018
Deduct cash dividends: 1972—$.728 per share; 1971—$.70 per share	49,804,725	47,557,245
Reinvested Earnings at End of Year	**$512,486,914**	**$436,012,773**

Note B: Accounting Changes—Prior to 1972, federal income taxes were provided on the undistributed earnings of subsidiaries outside the United States. In 1972, in conformity with Opinion No. 23 of the Accounting Principles Board, such provisions were adjusted to reflect only estimated taxes to be paid on earnings expected to be distributed. In addition, prior to 1972 the company expensed as incurred the income taxes on unrealized profit which resulted from sales between affiliated companies and which was eliminated from the inventory accounts upon consolidation. In 1972 such income taxes were recognized as timing differences.

Financial statements for the year 1971 have been restated to reflect these changes. The effect on income for 1972 and on income as previously reported for the year 1971 is as follows:

	Increases	
	1972	1971
Net income	$5,400,000	$4,350,000
Earnings per share	$.08	$.06

TRW INC. (DEC)

Statement of Changes in Consolidated Shareholders' Investment (in part)

	1972	1971
	($ thousands)	
4% CUMULATIVE PREFERRED STOCK		
Balance at January 1	$ 1,780	$ 1,823
Purchased and retired, 1,169 shares in 1972 and 426 in 1971	(116)	(43)
Balance at December 31	**1,664**	**1,780**
SERIAL PREFERENCE STOCK II		
Balance at January 1	10,643	10,613
Sold under stock options. 1.610 shares of Series 1 and 1,148 Series 3 in 1972 and 1,833 Series1 and 8.933 Series 3 in 1971	7	30
Converted to Common Stock and other, 2 shares of Series 1 and 1.246 Series 3 in 1972 and 39 Series 1 in 1971	(3)	--
Balance at December 31	**10,647**	**10,643**
COMMON STOCK		
Balance at January 1	31,036	30,895
Sold under stock options. 4.231 shares in 1972 and 22,029 in 1971	5	27
Issued upon conversion of preference stock, 101,250 shares in 1972 and 91,080 in 1971	127	114
Issued in poolings of interests, 440,825 shares	551	--
Balance at December 31	**31,719**	**31,036**
OTHER CAPITAL		
Balance at January 1	92,544	90,415
Excess of stated value of preference stock converted over par value of Common Stock issued upon conversion	1,680	1,421
Excess of proceeds over par or stated value of stock sold under stock options and other	277	708
Adjustment related to companies acquired in poolings of interests	(457)	--
Balance at December 31	**94,044**	**92,544**
RETAINED EARNINGS		
Balance at January 1, as previously reported	411,353	391,444
Retroactive adjustment for income taxes on undistributed earnings of certain subsidiaries	--	(2,590)
Balance at January 1. as restated	411.353	388.854
Retained earnings at January 1, 1972 of companies acquired in poolings of interests	4,081	--
Net earnings	76.109	65.671
	491,543	454,525
Deduct dividends declared:		
Preference Stock	18.310	18.363
Common Stock	25.766	24.809
By pooled companies prior to acquisition	149	--
	44.225	43.172
Balance at December 31	**447,318**	**411,353**
Total Shareholders Investment	**$606,613**	**$570,380**

Notes to Financial Statements

International Subsidiaries (in part)– In compliance with a recent Opinion of the Accounting Principles Board, the Company, in 1972, retroactively provided for deferred income taxes on the portion of undistributed earnings of certain subsidiaries which are not expected to be reinvested in such subsidiaries. As a result of this change, retained earnings at January 1, 1971 have been reduced by $2.6 million and net earnings and primary and fully diluted earnings per share, as previously reported for 1971, have been reduced by $1.6 million and $.07, respectively. For 1972, the effect of this change was to reduce net earnings and primary and fully diluted earnings per share by $.2 million and $.01, respectively. That portion of undistributed earnings considered to be indefinitely reinvested in fixed assets and working capital aggregated approximately $15 million at December 31, 1972 after giving effect to available tax credits and deductions.

Lifo Discontinued

THE NATIONAL CASH REGISTER COMPANY (DEC)

Earnings Retained for Use in the Business

	1972	1971*
	($ thousands)	
Balance January 1 as previously reported	$ 293.148	$ 308.163
Adjustments resulting from retroactive adoption of FIFO inventory valuation method – Note 2	26.144	25,297
Balance at January 1	**318,292**	**333,460**
Net income (loss) for the year	(59.612)	2.131
Cash dividends:		
Common– $.40 per share ($.72 in 1971)	(8,982)	(15,819)
Preferred– $1.25 per share	(474)	(480)
Balance December 31	**$ 250,224**	**$ 319,292**

*Restated for a change in inventory valuation from a LIFO to a FIFO method.

Note 2 (in part): Accounting Changes– Since 1950, the Company had used the LIFO (last-in, first-out) basis for valuing most domestic inventories. Effective January 1, 1972, the FIFO (first-in, first-out) method of inventory valuation was adopted for inventories previously valued on the LIFO basis. This results in a more uniform valuation method throughout the Company and makes the financial statements with respect to inventory valuation comparable with those of the other major United States business equipment manufacturers. As a result of adopting the FIFO method, the net loss for 1972 is approximately $4,565,000 ($.20 per share) less than it would have been on a LIFO basis. The financial statements for prior years have been retroactively restated for this change and, as a result, earnings retained for use in the business have been increased by $25,297,000 as of January 1, 1971. Also, the 1971 income statement has been restated resulting in an increase in net income of $847,000 ($.04 per share). Inventories at December 31, 1971 are stated higher by $50,276,000 than they would have been had the LIFO method been continued.

Other

DART INDUSTRIES INC. (DEC)

Statement of Earnings and Retained Earnings

	1972	**1971** (restated)
Net Earnings	**$ 54,507,000**	**$ 44,250,000**
Retained earnings at beginning of year. as previously reported	256.444,000	236.331.000
Less adjustment for cumulative effect on prior years of applying retroactively the new method of accounting for retail land sales	4.633,000	827.000
Retained earnings at beginning of year, as adjusted	251,811,000	135,504,000
	306,318,000	**279,754,000**
Dividends:		
Cash –		
Dart Industries Inc.		
Preferred – $2 per share	5.916.000	5.919.000
Common – $.30 and $.29 per share	5,783,000	5.536.000
Pooled company prior to merger	19.000	20,000
Common Stock, 3%, 560.000 shares at $41.50 per share paid in March 1972 and 539.900 shares at $30.50 paid in March 1971	23,238,000	16.468.000
	34,956,000	**27,943,000**
Retained Earnings at End of Year	**$271,362,000**	**$251,811,000**

Summary of Accounting Policies

Land development—Substantially all land development activity relates to the retail sale of single lots to individuals. Until 1972, sales of property were recognized at the close of escrow in which at least 10% of the sales price had been received in cash. The balance of the sales price is evidenced by a note secured by a deed of trust payable generally in periodic installments for periods up to ten years. The notes bear interest at rates which usually vary from 8¼% to 8¾% depending upon the amount of the customer's down payment. In accordance with the provisions of Opinion 21 of the Accounting Principles Board of the American Institute of Certified Public Accountants, additional interest was imputed relative to property sales made after September 30, 1971. Cost of land and related improvements were charged to operations generally based on the relative sales value of the parcel to the estimated sales value of the project.

In January 1973, the Committee on Land Development Companies of the American Institute of Certified Public Accountants announced an Accounting Guide on "Accounting for Retail Land Sales," to be applied to all companies in the industry. The application of the Guide is mandatory for 1972 and the results of operations of prior years must be restated in accordance with its provisions. To conform with these new industry-wide accounting requirements, Dart retroactively has changed its method of accounting for retail land sales to a method under which, on a project by project basis. the installment method is used until actual collection experience for a project indicates that collectibility of receivable balances is reasonably predictable, after which the accrual method as defined in the Guide will be used. Under the installment method, the gross profit less selling expenses related to the portion of the sales price which is not received in cash is deferred at the time of sale and recognized as cash is collected. In the opinion of management, none of Dart's projects qualifies under the provisions of the Guide for the accrual method at December 31, 1972. Reference is made to the note on Land Development Operations for the effects of the restatement required by this accounting change.

Interest and property taxes related to land held for improvement are charged to earnings as incurred.

Notes to Financial Statements

Land Development Operations—As described in the Summary of Accounting Policies, in 1972 Dart changed its method of accounting for land development operations in accordance with new industry-wide requirements. Financial statements have been restated retroactively to reflect this accounting change. The effect of this retroactive application is to decrease net earnings and earnings per share of Common Stock and Common Stock equivalents for 1972 by $1,208,000 and $.06. and for 1971 by $3,806,000 and $.20. Financial statements for years prior to 1971 have not been presented herein because land sales were relatively small in 1970 and 1969. The downward per share earnings effect for such years was $.03 and $.01, respectively.

A summary of accounts related to land development operations at December 31 (excluding intercompany accounts) follows:

	1972	1971
ASSETS		
Cash, prepaid expenses. etc.	$ 770.000	$ 434.000
Notes receivable. principally 8¼% and 8¾%	47.064.000	27.394.000
Deferred profit on land sales	(13.601.000)	(11.096.000)
Land. substantially all being improved	48.717.000	38.339.000
Properties and other assets	10.612.000	7.333.000
	$ 93,562,000	**$ 62,404,000**
LIABILITIES		
Accounts payable. accrued costs and expenses. etc.	$ 31.997.000	$ 32.321.000
Notes payable on land obligations. 6% to 8%	1.676.000	1.201.000
	$ 33,673,000	**$ 33,522,000**

Notes receivable are due in the five years subsequent to December 31, 1972 as follows: 1973 – $4,203.000; 1974 – $$4,491,000; 1975 – $4,875,000; 1976 – $4,862.000; 1977 – $5,062,000.

Total estimated costs to complete improvements related to active projects, based on engineering studies, amount to $39,487,000, and anticipated expenditures related to such improvements are estimated to be as follows: 1973– $22,668,000; 1974– $15,408,000; 1975– $1,411,000.

Total principal payments due on notes payable on land obligations in the five years subsequent to December 31, 1972 are as follows: 1973– $456,000; 1974– $102,000; 1975–$110,000; 1976– $202,000; 1977– $117,000.

Cost of goods sold and operating expenses includes deferred profit on retail land sales of $4,787,000 for 1972 and $7,822,000 for 1971 (net of profit recognized: 1972– $1,315,000; 1971– $1,016,000).

LYKES-YOUNGSTOWN CORPORATION (DEC)

Consolidated Statement of Retained Earnings

	1972	1971
Balance as previously reported, beginning of year	$403,428,000	$395,184,000
Adjustment for change in accounting method by insurance affiliate (Note 2) ..	395,000	92,000
Adjusted balance, beginning of year	**403,823,000**	**395,276,000**
Net income for the year	25,598,000	9,262,000
Settlement with dissenting stockholders of TheYoungstown Sheet and Tube Company	---	(715,000)
Balance end of year	**$429,421,000**	**$403,823,000**

Note 2: Accounting Changes—Refractory brick and other supplies, previously expensed upon purchase were included in raw materials and supplies inventories at December 31, 1972, thereby increasing net income in 1972 by $1,361,000 ($.15 per share). This change was made to provide improved custodial and financial control over these items. The pro forma and cumulative effects on net income of prior years are not determinable because the necessary data are unavailable.

In 1972, the Company's 90%-owned unconsolidated insurance affiliate, United Fidelity Life Insurance Company, adopted generally accepted accounting principles prescribed by the American Institute of Certified Public Accountants as an accounting basis for financial reporting purposes, whereas previous years' financial reports were on a statutory basis prescribed or permitted by state regulatory authorities. The Company accounts for this investment at cost plus equity in undistributed earnings, and the effect of this change in accounting in the accompanying financial statements was to increase net income in 1972 and 1971 by $671,000 and $303,000 ($.07 and $.04 per share), respectively. The accompanying 1971 financial statements have been restated on a comparable basis.

PREMIER INDUSTRIAL CORPORATION (MAY)

Consolidated Statement of Shareholders' Equity

	1972	1971
PROPRIETARY CAPITAL:		
Amount at beginning of year	$ 8,475,156	$ 8,473,903
Transfer from retained earnings in connection with two-for-one distribution of common stock	3,526,887	---
Proceeds from debentures converted	27,899	21,418
	12,029,942	**8,495,321**
Proceeds from stock plans in excess of cost of treasury shares (deduct net cost)	1,113	(20,165)
Amount at end of year	**12,031,055**	**8,475,156**
RETAINED EARNINGS:		
Amount at beginning of year, as previously reported	35,562,631	31,412,820
Adjustment for State of Ohio income taxes (note 7)	138,063	---
As restated	**35,424,568**	**31,412,820**
Net earnings for the year	7,480,584	7,179,260
	42,905,152	**38,592,080**
DEDUCT:		
Cash dividends declared:		
On Series A preferred stock, at rate of 75c and 90c per share, respectively	893,464	1,070,125
On common stock, at rate of 25c and 30c per share, respectively	1,750,270	2,097,387
	2,643,734	**3,167,512**
Transfer to proprietary capital ($1 per share) in connection with stock distribution	3,526,887	---
	6,170,621	**3,167,512**
Amount at end of year	**36,734,531**	**35,424,568**
	48,765,586	**43,899,724**
Deduct treasury shares at cost	508,299	579,926
Total shareholders' equity	**$48,257,287**	**$43,319,798**

Note 7: Restatement of Prior Year's Financial Statements—Subsequent to May 31, 1971, the legislature of the State of Ohio enacted certain tax legislation which is based upon the net earnings for the year then ended. The effect of this legislation net of Federal income tax benefit ($129,000) has been reflected retroactively and has the effect of reducing net earnings and net earnings per common share by $138,063 and $.02 per share, respectively, for the year ended May 31, 1971.

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. Direct charges and credits—other than

TABLE 4-6: OTHER CHANGES IN RETAINED EARNINGS

Charges	1972	1971	1970	1969
Capital stock transactions	67	58	82	82
Poolings of interests adjustments	17	23	20	42
Cash payments in lieu of fractional shares	12	N/C	N/C	N/C
Other transactions–described	14	11	11	17
Unidentified charges	2	1	2	5
Total charges	**112**	**93**	**115**	**146**
Credits				
Capital stock transactions	4	5	6	8
Poolings of interests	21	26	30	35
Other transactions–described	11	10	9	8
Unidentified credits	3	1	3	3
Total credits	**39**	**42**	**48**	**54**
Total presentations	151	135	163	200
Number of Companies				
Presenting other changes in retained earnings	133	108	127	149
Only changes are income, dividends, splits and changes to opening balance	467	492	473	451
Total	**600**	**600**	**600**	**600**

N/C– Not Compiled.

net loss, net income, dividends and stock splits—are summarized in Table 4-6. Examples of such charges and credits follow.

Capital Stock Transactions

ADAMS-MILLIS CORPORATION (DEC)

Statement of Consolidated Earnings and Earnings Retained

	1972	1971
Net Earnings	**$ 504,107**	**$ 1,643,187**
Earnings retained, beginning of year	12,024,242	10,803,426
	12,528,349	**12,446,613**
Less:		
Dividends paid on common stock ($.20 per share in 1972 and 1971)	453,092	422,371
Loss on sale of treasury stock–Note H	76,454	– – –
	529,546	**422,371**
Earnings Retained at End of Year	**$11,998,803**	**$12,024,242**

Note H: Sale of Treasury Shares—In December 1972, the 14,300 shares of Adams-Millis Corporation Common Stock held by a majority-owned subsidiary were sold to certain officers of the Corporation and subsidiary company at $7.75 per share, the market value at date of sale. The loss on the sale, including the related income tax effects and adjustment of minority interests, has been charged to consolidated retained earnings.

CROWN CORK & SEAL COMPANY, INC. (DEC)

Consolidated Statement of Retained Earnings

	1972	1971
Retained Earnings at Beginning of Year	$112,122,000	$ 89,272,000
Net income	31,193,000	28,474,000
Excess of cost over par value of Common Stock purchased and retired (1972–534,047 shares; 1971–374,200 shares)	(10,003,000)	(5,300,000)
Premium on Preferred Stock redeemed	– – –	(285,000)
Preferred dividends paid	– – –	(39,000)
Retained Earnings at End of Year	**$133,312,000**	**$112,122,000**

THE MEAD CORPORATION (DEC)

Statement of Retained Earnings and Additional Paid-in Capital

	1972	1971
RETAINED EARNINGS		
Balance beginning of year	$243,000	$244,507
Net earnings for the year	17,644	23,308
	260,644	**267,815**
Less:		
Cash dividends paid:		
Preferred–$4.25 a share	104	107
Preferred–$5.00 a share	157	165
Preferred–$6.00 a share	91	121
Voting cumulative preferred–$2.80 a share	8,015	8,011
Common –$.60 a share–1972; $1.00 a share–1971	9,841	16,411
Excess of purchase price (average price per share $14.36) over stated value of common shares repurchased*	1,706	– –
	19,914	**24,815**
Balance end of year	$240,730	$243,000

*Book value per common share, $20.63 at December 31, 1972

	1972	1971
ADDITIONAL PAID-IN CAPITAL		
Balance beginning of year	$ 4,333	$ 4,161
Excess of par value over purchase price of preferred shares	320	29
Excess of option price over stated value of common shares issued under stock plans	62	115
Other	– –	28
Balance end of year	**$ 4,715**	**$ 4,333**

Notes to Consolidated Financial Statements

Note A (in part): Capital Shares and Option Plans—In 1972, the Corporation repurchased 315,000 of common shares (stated value $2,818,966); 10,291 shares of the 6% cumulative preferred shares series (par value $1,029,100); 3,951 shares of the 5% series (par value $395,100); and 19 shares of the 4¼% series (par value $1,900). Pursuant to the exercise of stock options, 455 shares of voting cumulative preferred $2.80 convertible series (stated value $11,500) and 8,900 common shares (stated value $79,000) were issued in 1972.

ST. JOE MINERALS CORPORATION (DEC)

Statement of Consolidated Retained Earnings

	1972	1971
Retained earnings at January 1	$ 75,707,000	$ 69,874,000
Net income for the year	25,999,000	19,576,000
Cash dividends (1972, $1.50 per share; 1971, $1.625 per share)	(12,732,000)	(13,743,000)
Exercise of stock options (note 8)	(7,000)	--
Retained earnings at December 31	**$ 88,967,000**	**$ 75,707,000**

Note 8 (in part): Stock Option Plans— Treasury stock has been reduced by $79,000 (3,570 shares) in 1972 and $1,200,000 (54,188 shares) in 1971 for the cost of treasury shares issued upon exercise of stock options. The excess of such cost over the aggregate option price has been charged to retained earnings in 1972 ($7,000) and other capital in 1971 ($310,000) in accordance with a policy, adopted in 1972, whereby such debits are charged to other capital only to the extent that prior net credits from the same transactions are available in other capital; credits arising from exercise of stock options are credited to other capital. Prior to 1972 the difference between cost of treasury shares issued and stock option proceeds was recorded in other capital.

Pooling of Interests Adjustment

PARKER-HANNIFIN CORPORATION (JUN)

Consolidated Statements of Shareholders' Equity

($ thousands)

	Common Shares	*Additional Capital*	*Earnings Retained in the Business*	*Total*
Balances, June 30, 1970:				
As previously reported	$1,602	$15,730	$55,612	$ 72,945
Adjustments arising from pooling of interests (Note 2)	285	1,215	6,184	7,684
As restated	**1,887**	**16,945**	**61,796**	**80,629**
Net earnings for the year			8,322	8,322
Cash dividends paid on common stock, $1.00 par share (adjusted for stock split)			(4,751)	(4,751)
Balances June 30, 1971	**1,887**	**16,945**	**65,367**	**84,199**
Net earnings for the year			11,070	11,070
Adjustments in connection with stock split (Note 4)				
Transfer to common shares	943	(943)		
Cash payments			(11)	(11)
4,425 shares issued under stock option plans (Note 4)	2	97		99
Cash dividends paid on common stock, $1.02 per share			(5,293)	(5,293)
Adjustment to conform pooled company's fiscal year (Note 2)			(779)	(779)
Balance June 30, 1972	**$2,832**	**$16,099**	**$70,354**	**$89,285**

Note 2: Acquisition of Ideal Corporation— On December 31, 1971, the Company acquired the stock of Ideal Corporation, a manufacturer of hose clamps and other products for the automotive aftermarket in exchange for 570,000 common shares. The acquisition has been accounted for as a pooling of interests.

The net sales and net income of Ideal for the six months ended December 31, 1971 included in the consolidated results of operations for the year ended June 30, 1972 amounted to $13,745,019 and $779,058 respectively. The financial statements for the year ended June 30, 1971 have been restated to reflect this pooling of interests and accordingly the 1971 net sales and net earnings were increased by $29,964,017 and $1,582,012 respectively.

Historically, Ideal has reported on the basis of a fiscal year ended December 31 of each year. In the consolidated statements of earnings, Ideal's results of operations for the year ended December 31, 1971 have been combined with Parker's results for the year ended June 30, 1971 and the results of operations of both companies for the twelve months ended June 30, 1972 have been combined. Retained earnings has been adjusted for the net income of Ideal for the period July 1, 1971 to December 31, 1971, which has been duplicated in the consolidated statements of earnings. During that period, Ideal had net sales of $13,745,019 and net, income of $779,058.

On May 15, 1972, the Department of Justice filed a civil action against the Corporation alleging that the acquisition of Ideal Corporation violated Section 7 of the Clayton Act. The complaint seeks divestiture. The Corporation has denied the Government's allegations and, in the opinion of counsel, the Corporation should prevail in the action.

Other Transactions

GENERAL PLYWOOD CORPORATION

Consolidated Statement of Stockholders' Equity

		Preferred Stock		*Common Stock*		*Additional*	
	Total	*Number of Shares*	*Amount*	*Number of Shares*	*Amount*	*Paid-in Capital*	*(Deficit)*
Balance, October 31, 1970	$2,791,619		$	1,313,521	$656,761	$2,645,347	$ (510,489)
Common stock issued in connection with stock purchase agreements	1,810			450	225	1,585	
Net loss for the year	(1,178,914)						(1,178,914)
Balance, October 31, 1971	**1,614,515**			**1,313,971**	**656,986**	**2,646,932**	**(1,689,403)**
Conversion of notes payable less expenses	363,573			262,794	131,397	232,176	
Adjustment to eliminate accumulated deficit at April 30, 1972 (Note L)						(1,925,317)	1,925,317
Conversion of note payable to affiliated company	400,000	80,000	400,000				
Sale of common stock	26,000			16,250	8,125	17,875	
Net loss for the year	(518,176)						(518,176)
Balance, October, 31, 1972	**$1,885,912**	**80,000**	**$400,000**	**1,593,015**	**$769,508**	**$ 971,666**	**$ (282,262)**

Note L: Elimination of Accumulated Deficit as of April 30, 1972—On June 26, 1972 the Board of Directors of the Company approved a restatement of the capital accounts as of April 30, 1972, whereby the deficit of $1,925,317 at that date has been eliminated by a charge to paid-in capital.

VELVET-O'DONNELL CORPORATION

Consolidated Statement of Shareholders' Equity

($ thousands)	*Common Stock*	*Capital in Excess of Par Value*	*Retained Earnings*	*Total*
Balance – October 31, 1970	$ 376	$--	$1,078	$1,454
Net income – Year ended October 30, 1971	--	--	351	351
Fair value of remaining 20% interest in O'Donnell	24	240	--	264
Proceeds from sale of common stock in a public offering and sale of warrants, net of underwriting discount and other expenses ..	100	1,135	--	1,235
Balance – October 30, 1971	500	1,375	1,429	3,305
Net income – Year ended October 28, 1972	--	--	360	360
Adjustment to reflect net income of O'Donnell Importing Company for the month of October, 1971 excluded from the statement of income as a result of a change in fiscal year (Note 1a)	--	--	27	27
Balance – October 28, 1972	**$ 500**	**$1,375**	**$1,816**	**$3,692**

Note 1a: Principles of Consolidation— The consolidated financial statements include the accounts of the Company and its subsidiary companies, O'Donnell Importing Company (O'Donnell) and Haberstroh Farm Products, Inc. (Haberstroh). Haberstroh was acquired by purchase on July 21, 1972 and is included in consolidation from that date. See Note 2 – Acquisitions, for additional information.

All material intercompany balances and transactions have been eliminated.

The fiscal year of O'Donnell was changed to October 31 from September 30 effective in 1972. Accordingly, the accounts of O'Donnell for the year ending October 31, 1972 are included in the consolidated financial statements of October 28, 1972, and for the year ending September 30, 1971 in the consolidated financial statements of October 30, 1971. A summary of earnings of O'Donnell for the month of October, 1971 which, due to the change in fiscal years, does not appear in the consolidated financial statement (since one full year of operations of O'Donnell is included in each consolidated year) is shown below:

Total revenue	$1,181,911
Gross profit	204,350
Interest charges	4,790
Income taxes	30,000
Net income	26,978

The net income of $26,978 shown above is included in retained earnings as a separate item.

CAPITAL ACCOUNTS

PRESENTATION OF CHANGES IN ADDITIONAL CAPITAL

APB Opinion No. 12 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.

Eighty-nine survey companies presented separate *statements* for either additional capital, or additional capital and capital stock, or capital stock. All sucb statements were covered by the Accountants' Opinion.

Table 4—7 summarized the manner in which the survey companies presented changes in additional capital.

TABLE 4-7: PRESENTATION OF ADDITIONAL CAPITAL TRANSACTIONS

	1972	1971	1970	1969
Statement of stockholders' equity (*40, 663, 746)	148	116	110	89
Statement of additional capital (*139, 254, 328)	123	128	125	148
Schedule in notes (*172, 198, 278)	77	95	94	93
No statement or schedule but changes disclosed (*30, 257, 630)	91	93	97	136
Balance unchanged during year	86	90	89	47
Subtotal	**525**	**522**	**515**	**513**
Additional capital account not presented	75	78	85	87
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section

STOCK SPLITS

Chapter 7B of *ARB No. 43* discusses the accounting for stock splits. *APB Opinion No. 15* refers to Chapter 7B 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 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: STOCK SPLITS

	1972	1971	1970	1969
Ratio				
Less than three-for-two	--	2	--	1
Three-for-two (50%) to two-for-one	13	7	10	9
Two-for-one (100%)	23	19	18	56
Greater than two-for-one	9	--	5	5
Total	**45**	**28**	**33**	**71**
Account Charged				
Additional capital	16	15	13	29
Retained earnings	14	4	9	9
No charge	15	9	11	33
Total	**45**	**28**	**33**	**71**

Table 4—8 shows the number of survey companies disclosing stock splits and also summarizes the accounting treatments for stock splits. Examples of stock splits follow.

Charge to Additional Capital

CARNATION COMPANY (DEC)

Consolidated Statement of Other Capital

	1972	1971
Balance at beginning of year	$48,279,406	$56,033,684
Par value of 5,815,544 shares of common stock in 1972 and 3,877,139 shares in 1971 issued in 3-for-2 stock splits (Note 8)	(11,631,088)	(7,754,278)
Balance at end of year	**$36,648,318**	**$48,279,406**

Note 8: Capital Stock and other Capital— Transactions in common stock and other capital relate to 3-for-2 stock splits in April 1971 and December 1972. In 1971 authorized shares of common stock were increased from 15,000,000 shares to 20,000,000 shares, 3,877,139 shares were issued in connection with the split and the par value of the additional shares, $7,754,278, was charged against other capital. In 1972 authorized shares of common stock were increased to 30,000,000 shares, 5,815,544 shares were issued in connection with the split and other capital was charged for the par value of the additional shares, $11,631,088. In each instance, cash was paid in lieu of issuing fractional shares.

Stockholders, at a special meeting in 1972, authorized 2,000,000 shares of a new class of preferred stock, without par value; at December 31, 1972, there were no preferred shares outstanding.

CERTAIN-TEED PRODUCTS CORPORATION (DEC)

Notes to Financial Statements

Note 6: On June 28, 1972, the Board of Directors voted to effect a two-for-one split of the Company's Common Stock. In connection therewith, the par value of the additional shares issued has been transferred from Capital in Excess of Par Value to Common Stock.

Dividends on the Series A Convertible Preferred Stock are cumulative at the annual rate of $.90 per share. Each share is entitled to one vote, has a liquidating value of $25 per share plus accrued unpaid dividends, is convertible into two shares of Common Stock and may be called by the Company (subject to the conversion rights of the holders) at a price of $25 per share plus accrued unpaid dividends.

Dividends on the Series B Convertible Preferred Stock are cumulative at the annual rate of $1.40 per share. Shares will be convertible until December 31, 1975 on the basis of two shares of Common Stock for each share of preferred stock and thereafter on the basis of 1.75 shares of Common Stock for each share of preferred stock. Each share is entitled to one vote, has a liquidating value of $45 per share plus accrued unpaid dividends and may be redeemed after December 31, 1975 (subject to the conversion rights of the holders) at the same value.

Changes in shares of capital stock and in capital in excess of par value are summarized as follows:

	Common Stock			Series A Preferred Stock	Series B Preferred Stock	Capital in
	Issued Shares	Issuable Shares	Treasury Shares	Outstanding Shares	Outstanding Shares	Excess of Par Value
Balance at December 31, 1970	4,519,960	--	14,902	821,569	--	$47,157,568
Exercise of stock options–Note 5	25,050	--	--	--		499,010
Conversion of preferred stock	207,967	---	---	(207,967)	---	---
Resulting from companies acquired–Note 1	131,000	---	(12,634)	---	---	1,484,014
Purchase and exercise of warrants	20,000	---	20,000	---	---	---
Sale of Treasury Stock to Company's Thrift Plan	--	--	(3,200)	--	--	83,809
Balance at December 31, 1971	**4,903,977**	---	**19,068**	**613,602**	---	**49,224,401**
Exercise of stock options–Note 5	17,450	---	---	---	---	376,501
Conversion of Preferred stock	41,290	---	---	(41,290)	---	---
Resulting from companies acquired–Note 1	100,000	---	(2,436)	---	---	4,377,387
Resulting from acquisition of patent interests–Note 1	120,000	270,000	---	---	---	17,160,000
Total prior to two-for-one split of Common Stock	**5,182,717**	**270,000**	**16,632**	**572,312**	---	**71,138,289**
Two-for-one stock split	5,182,717	270,000	16,632	---	---	(5,452,717)
Exercise of stock options–Note 5	15,200	---	---	---	---	156,513
Conversion of preferred stock	33,486	---	---	(16,743)	---	(16,743)
Resulting from companies acquired–Note 1	99,000	---	---	---	---	16,000
Resulting from acquisition of patent interests–Note 1	220,000	(220,000)	---	---	---	---
Sale of Series B Preferred Stock	....	---	---	---	200,000	8,758,465
Balance at December 31, 1972	**10,733,120**	**320,000**	**33,264**	**555,569**	**200,000**	**$74,599,807**

S. S. KRESGE COMPANY (JAN)

Notes to Consolidated Financial Statements

Note D: Stockholders' Equity—In June 1972, the stockholders approved a change in the authorized common stock from 60,000,000 shares of $1.66⅔ par value to 250,000,000 shares of $1.00 par value and concurrently effected a three-for-one stock split.

Changes in stockholders' equity, other than income retained for use in the business, for the fiscal years ended January 31, 1973 and January 26, 1972, were as follows:

	Common Stock		Capital In
			Excess of
	Shares	Amount	Par Value
		($ thousands)	
Balance at January 26, 1972	**36,559,697**	**$60,933**	**$69,466**
Change in par value and three-for-one stock split in June 1972, including expenses of $289	73,119,394	48,746	(49,035)
Common stock sold under stock option and purchase plans	624,724	625	12,880
Conversion of 5% convertible debentures, less related unamortized expenes	7,009,737	7,010	115,756
Balance at January 31, 1973	**117,313,552**	**$117,314**	**$149,067**

As of January 27, 1971, the company held 27,718 shares of common stock in its treasury at a cost of $338,000. These shares were used to purchase the stock of another company as of October 1, 1971. There were no other transactions in treasury stock during the two-year period.

Ten million shares of no par value preferred stock with voting and cumulative dividend rights were authorized in 1969 primarily for possible use in acquisitions but there are currently no plans for its use.

P.R. MALLORY & CO. INC.

Notes to Consolidated Financial Statements

Note (6) (in part): Common Stock and Additional Paid-in Capital—On April 26, 1972 the Board of Directors declared a two for one stock split effected in the form of a stock dividend. This action resulted in the issuance of 2,110,437 shares of common stock and the transfer of $2,110,437, representing the par value of the shares issued, from additional paid-in capital to the common stock account. Per share amounts for net earnings and dividends have been restated to reflect the stock split.

Changes in common stock and additional paid-in capital are summarized as follows:

	Common Stock		Additional Paid-in
	Shares	Amount	Capital
Balances, December 31, 1970 and 1971	2,101,094	$2,101,094	$27,482,206
Exercise of stock options prior to stock split	9,343	9,343	376,749
	2,110,437	**2,110,437**	**27,858,955**
Issuance of common shares in connection with stock split	2,110,437	2,110,437	(2,110,437)
Exercise of stock options after stock split	7,562	7,562	158,589
Issuance of 6,000 treasury shares in connection with pooling of interests (note 3)	--	--	(39,199)
Balances, December 31, 1972	**4,228,436**	**$4,228,436**	**$25,867,908**

SMC INDUSTRIES, INC. (AUG)

Notes to Financial Statements

Note 9: Common Stock and additional paid-in capital—During the year ended August 31, 1972, the Company's board of directors approved two three-for-two stock splits effective November 2, 1971 and March 8, 1972. These splits were effected in the form of stock dividends and the par value of the shares issued was charged to additional paid-in capital. The effect of the November 1971 stock split was included in the consolidated financial statements as of August 31, 1971.

Changes in common stock and additional paid-in capital were as follows:

	Common stock		Additional paid-in
	Shares	Amount	capital
Balance at August 31, 1970	402,542	$201,271	$873,049
Credit resulting from issuance of subsidiary's treasury stock	--	--	6,436
Three-for-two stock split	201,271	100,635	(100,635)
Balance at August 31, 1971	**603,813**	**301,906**	**778,850**
Cash paid for fractional shares	--	--	(2,524)
Three-for-two stock split	301,703	150,852	(150,852)
Balance at August 31, 1972	**905,516**	**$452,758**	**$625,474**

At August 31, 1972, 13,856 shares of the Company's common stock were reserved for issuance under outstanding employee stock options, after giving effect to the three-for-two stock splits mentioned above. The options are exercisable at prices ranging from $4.62 to $9.78 per share.

Note 11: Per share information—Per share information was computed on the weighted average number of shares outstanding of 905,471 for 1972 and 905,634 for 1971, after giving effect to the three-for-two stock splits mentioned in Note 9. Shares issuable under employee stock options and under the agreement with minority stockholders, discussed in Note 8, are excluded from the income per share computations since their effect is not dilutive.

WHIRLPOOL CORPORATION (DEC)

Consolidated Statement of Stockholders' Equity

	($ thousands)	
COMMON STOCK	**1972**	**1971**
Balance at beginning of year	$ 29,742	$ 29,682
Adjustment arising from 3-for-1 stock split—Note E	5,966	--
Par value of 193,840 shares (1971—73,011) sold under stock option plans	176	60
Balance at End of Year	**35,884**	**29,742**
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	18,854	17,758
Adjustment arising from 3-for-1 stock split—Note E	(5,966)	--
Proceeds in excess of par value of common stock sold under stock option plans	3,132	1,067
Increase in equity in subsidiary arising from transactions in subsidiary shares	80	29
Balance at End of Year	**16,100**	**18,854**
RETAINED EARNINGS		
Balance at beginning of year	239,208	207,835
Net earnings	68,233	50,387
	307,441	**258,222**
Cash dividends paid—$0.55 a share (1971—$0.53)	19,549	19,014
Balance at End of Year	**287,892**	**239,208**
Stockholders' equity at end of year	**$339,876**	**$287,804**

Note E (in part): Common Stock—Effective May 12, 1972, the Company's common stock was split 3 for 1 and the par value was reduced from $2.50 to $1.00 per share. All per share information for both 1972 and 1971 shown herein and all option data are based on the adjusted number of shares.

WINNEBAGO INDUSTRIS, INC. (FEB)

Consolidated Statements of Stockholders' Equity

	Common Shares Number	Common Shares Amount	Additional Paid-in Capital	Reinvested Earnings
		($ thousands)		
Balance. February 28. 1970	6.048.400	$3.024	$ 8.280	$ 7.129
Net income	--	--	--	4.614
Balance, February 27, 1971 ...	**6,048,400**	**$3,024**	**$8,280**	**$11,743**
A 2-for-1 stock split-up effected as a 100% stock dividend	6.048.400	3.024	(3.024)	--
Proceeds from the sale of 500,000 shares of common stock less issue expenses of $88.726	500.000	250	22.774	--
Net income	--	--	--	13.594
Balance, February 26, 1972 ...	**12,596,800**	**$6,298**	**$28,030**	**$25,340**

Charge to Retained Earnings

CORNING GLASS WORKS (DEC)

Consolidated Balance Sheets

	1972	1971
	($ thousands)	
COMMON STOCKHOLDERS' EQUITY (Note 8)		
Common stock—par value $5 per share Authorized—25,000,000 shares Including excess over par value	$ 87,798	$ 64,887
Retained earnings employed in the business	370,242	362,402
Total common stockholders' equity	**$458,040**	**$427,289**

Consolidated Statements of Income and Retained Earnings

Net income (per share $3.09–1972; $1.94–1971; Note 8)	$ 52,274	$ 34.050
Retained Earnings at beginning of year		
As previously reported	316,814	305,676
Equity in accumulated undistributed earnings of associated companies	45,588	45,435
Dividends		
Preferred stock – $3.50 per share	(24)	(30)
Common stock – $1.35 per share 1972; $1.30 per share 1971 (Note 8)	(23.704)	(22,729)
Transferred to common stock account in connection with stock split (Note 8)	(22,706)	--
Retained Earnings at end of year	**$370,242**	**$362,402**

Note 8 (in part): Common Stock—A 2½ for 1 stock split approved by the stockholders on February 7, 1973, and effected on February 8, 1973, has been reflected in common stock and retained earnings as of December 31, 1972. Shares and per share amounts for all periods presented in this report have been restated for the split.

Changes in common stock, including excess over par value, during the two years ended December 31, 1972, were:

	Shares	($ Thousands)
Balance at January 3, 1971	17.549.683	$64.429
Exercise of common stock options	2.352	120
Excess of par value over cost of 2,173 preferred shares purchased	--	66
Adjustment for pooled companies	3.640	272
Balance at January 2, 1972	**17,555,675**	**$64,887**
Exercise of common stock options	3.973	178
Excess of par value over cost of 1,019 preferred shares purchased	--	27
Transferred from retained earnings in connection with stock split	--	22,706
Balance at December 31, 1972	**17,559,648**	**$87,798**

THE HOOVER COMPANY

Statement of Consolidated Stockholders' Equity

	Common Stock	Other Capital	Income Employed In The Business	Less 1reasury Stock	Total
		($ thousands)			
Balance at January 1. 1971	$17.185	$12.280	$123.992	$6.400	$147.057
Net income			21.673		21.673
Stock options exercised (9.540 shares)	24	296			320
Cash dividends paid–$.70 a share			(9.241)		(9.241)
Transfers by foreign subsidiaries		85	(85)		
Balance at December 31, 1971	**17,209**	**12,662**	**136,338**	**6,400**	**159,809**
Net income			29.514		29.514
100% stock dividend (6,621.041 shares)–Note F	16.552	(2.196)	(14.356)		
Stock options exercised (52.365 shares)	130	1.019			1.149
Cash dividends paid–$.725 a share			(9.612)		(9.612)
Transfers by foreign subsidiaries		78	(78)		
Balance at December 31, 1972	**$33,892**	**$11,563**	**$141,805**	**$6,400**	**$180,861**

Note F: Increase In Authorized Shares— On April 26, 1972, the stockholders approved an Amendment to the Company's Certificate of Incorporation which increased the authorized Common Stock from 7,500,000 to 15,000,000 shares having a par value of $2.50 per share. Further, approval was given to effect a distribution of additional shares on the basis of one additional authorized and unissued share of Common Stock for each share of Common Stock then issued and outstanding and also to release an additional 200,000 shares from pre-emptive rights so as to permit adjustment of outstanding stock options and to provide for future stock options so as to reflect the increase in the number of authorized shares.

PARKER PEN COMPANY (FEB)

Consolidated Balance Sheet

	1972	1971
STOCKHOLDERS' EQUITY (Note 5)		
Cumulative preferred stock, $100 par value– Authorized 100,000 shares, none issued	$ --	$ --
Common stock $1.50 par value– Authorized 4,000,000 shares, Issued 2,994,398 shares in 1972 and 1,982,759 in 1971	4,491,597	2,974,139
Earnings retained for use in the business	35,030,845	33,913,992
	$39,522,442	**$36,888,131**
Less– Treasury stock, at par value (49,259 shares in 1972 and 34,275 shares in 1971)	73,889	51,413
Total stockholders' equity	**$39,448,553**	**$36,836,718**

Consolidated Statement of Net Earnings and Earnings Retained for Use in the Business

Earnings retained for use in the business–beginning of year	$33,913,992	$32,040,458
Cash dividends ($.40 in 1972, $.36⅔ in 1971) (Note 5)	(1,174,306)	(1,071,322)
Three-for-two stock split effected as a stock dividend (Note 5)	(1,344,328)	(220,654)
Earnings retained for use in the business – end of year	**$35,030,845**	**$33,913,992**

Note 5: Capital Stock—On February 10, 1972, the Board of Directors declared a three-for-two stock split which will be distributed April 19, 1972, to stockholders of record March 15, 1972. The stock split will be effected by issuance of one additional share of $1.50 par value common stock for each two shares then outstanding. This stock split has been reflected in the financial statements as of February 29, 1972. The par value of the 998,133 shares to be issued is $1,497,199, of which $128,241 was transferred from Capital in Excess of Par Value, $1,344,328 was transferred from Retained Earnings and $24,630 was transferred to Treasury Stock. All fiscal 1972 and prior year per share information has been restated to reflect the three-for-two stock split.

In January 1971 a three-for-two stock split was effected by the issuance of one additional share of $1.50 par value common stock for each two shares then outstanding. The par value of the 649,426 shares issued was $974,139, of which $753,485 was transferred from Capital in Excess of Par Value and $220,654 was transferred from Retained Earnings. At the annual meeting to be held on June 21, 1972, the stockholders will be asked to approve an amendment to the Articles of Incorporation increasing the authorized shares of common stock from 4,000,000 to 10,000,000.

During fiscal 1972 the state of incorporation of the Company was changed from Wisconsin to Delaware.

No Change in Capital Accounts

BIRD & SON, INC. (DEC)

Notes to Consolidated Financial Statements

Note 6: Stockholders' equity—The $2.75 convertible preference stock is subordinate only to the 5-percent cumulative preferred stock and each share is entitled to one vote and is convertible into four shares of Bird & Son, Inc. common stock. Dividends are cumulative and are subject to certain limitations. The stock has a liquidation value of $75 per share and is callable at that price on or after December 31, 1976. During 1972, 13,548 shares were converted into 54,193 shares of common stock. The $2.75 convertible preference shares held in the Treasury may not be reissued without the approval of the stockholders.

At the 1972 annual meeting, the stockholders approved an amendment to the Articles of Organization, providing for an increase in the authorized common stock from 600,000 shares to 1,800,000 shares to effect a three-for-one split as of May 3, 1972. The stated value of common stock was reduced from $5 to $1⅔ and all common share data gives effect to the stock split.

At December 31, 1972, 40,016 shares of common stock held in the Treasury are reserved for conversion of the $2.75 convertible preference stock.

CREDITS AND CHARGES TO CAPITAL ACCOUNTS

Table 4-9 and Table 4-10 summarize credits and charges to capital accounts. Examples of such credits and charges follow.

Conversion of Preferred Stock

HYGRADE FOOD PRODUCTS CORPORATION (OCT)

Statement of Consolidated Other Capital

	1972	1971
Balance at beginning of year	$13,921,803	$15,265,122
Excess of proceeds over par value of 2849 (656 in 1971) common shares issued under restricted stock option agreements	38,500	8,488
Excess of market value of 5% stock dividend over par value of 48,220 common shares issued	1,416,462	--
Excess of par value over cost of 132 shares of preferred stock – Series A purchased and retired	7,260	--
	15,384,025	**15,273,610**
PREFERENCE STOCK CONVERSIONS (NOTE 6):		
Excess of cash paid under inducement offer, including cash in lieu of fractional shares, and par value of 201,858 common shares issued over par value of 164,867 preference shares converted	2,169,298	--
Excess of par value of 272 common shares issued and cash in lieu of fractional shares over par value of 223 preference shares converted	1,193	--
PREFERENCE STOCK REDEMPTIONS (NOTE 6):		
Excess of cost over par value of 15,040 shares purchased	718,746	--
Provision for redemption requirements	(633,600)	633,600
Dividends paid:		
Preferred stock–Series A–$3 a share	--	17,466
Preferred stock–Series B–$3.75 a share	--	40,741
Preference stock–Series A–$3 a share	--	660,000
	2,255,637	**1,351,807**
Balance at end of year	$13,128,388	$13,921,803

Note (6) (in part): Capital Stock—The holders of preference stock have the right to convert their stock into shares of common stock of the Company at any time at an adjusted conversion price of $38.10 per share (taking the preference at $49 per share), subject to further adjustment in the event of the issuance of common stock for a consideration less than the conversion price then in effect and also in respect of stock splits, combinations and stock dividends.

As an inducement to preference stockholders to exercise their conversion privilege, the Company offered an additional payment of $8 in cash for each share of preference stock converted during the period December 9, 1971 to January 11, 1972. During this period the holders of 164,867 shares of preference stock exercised their conversion privilege. In addition, the holders of 223 shares of preference stock exercised their regular conversion privilege. As a result of these redemptions, 202,130 shares of common stock were issued. Appropriate accounting recognition has been made in the capital stock and other capital accounts.

TABLE 4-9: CREDITS TO CAPITAL ACCOUNTS

	Common Stock	Preferred Stock	Additional Capital
Sale or issuance of stock:			
Conversion of preferred	113	3	60
Conversion of debt	79	5	60
Business combinations	134	16	74
Stock option or purchase plan	370	33	314
Other employee benefits	61	3	42
Warrants and rights	14	--	14
Other sales and issuances	61	4	79
Purchase or retirement of stock	3	4	45
Other–identified	11	2	46
Unidentified	37	8	21
Total Credits	**883**	**78**	**755**

The Company exercised its option to redeem 13,200 shares of preference stock on July 1, 1972. In addition, the Company purchased 1,840 shares of preference stock on the open market.

Because current conversions and redemptions have exceeded sinking fund redemption requirements, the Company has no obligation to redeem any portion of the preference stock until 1985. Consequently there is no current liability with respect to the redemption requirements for preference stock. However, the Company has the option to redeem 13,200 shares of preference stock on July 1 of each year at $49 per share.

TABLE 4-10: CHARGES TO CAPITAL ACCOUNTS

	Common stock	Preferred stock	Additional capital
Conversion of preferred stock	--	108	19
Purchase or retirement of stock	131	94	52
Business combinations	--	--	46
Treasury stock issued for less than cost	3	--	30
Other–described	17	2	52
Unidentified	21	15	25
Total Charges	**172**	**219**	**224**

Purchase Acquisition

CYCLOPS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1: Changes in Business Entity—On January 12, 1972, Elwin G. Smith & Company, Inc., a fabricator and erector of metal building products was merged into Cyclops. In connection with this transaction, which was accounted for as a purchase, 424,754 shares of a new series of Preferred stock, designated $1.15 Convertible Preferred stock, Series B, were issued to shareholders of Smith. In addition, Smith shareholders who dissented to the merger (approximately 11%) received cash payment for the fair value of their stock. The total value of the transaction is approximately $9,800,000.

On April 3, 1972, the Company acquired an 80% interest in Busy Beaver Building Centers, Inc., an operator of retail building supply centers and provider of home remodeling services, and an additional 5% interest was purchased on September 1, 1972, resulting in a total cash investment of $3,929,000. The acquisition has been accounted for as a purchase.

The results of operations of Smith and Busy Beaver have been included from the date of acquisition. On a proforma basis, assuming the acquisitions had occurred on January 1, 1971, Cyclops net sales, net income and earnings per common and common share equivalents are $418,300,000, $7,650,000, and $3.20 respectively for 1972, and $384,100,000, $5,200,000, and $2.00, respectively for 1971.

Note 6 (in part): Shareholders' Equity—Changes in Preferred and Common stock and capital in excess of par value follow:

	Preferred stock		Common	Capital in excess of
	Series A	Series B	stock	par value
	($ thousands)			
At December 31, 1970	$104	$--	$2,037	$26,669
Issuance under option plans and deferred compensation agreement (30 shares of Preferred and 1,686 shares of Common)	--	--	2	40
Conversion of 107 shares of Series A Preferred into 250 shares of Common	--	--	--	--
At December 31, 1971	**104**	**--**	**2,039**	**26,709**
Issuance of $1.15 Convertible Preferred Series B for acquisition of net assets of Elwin G. Smith & Company, Inc. (424,754 shares) $1 par value	--	425	--	8,310
Issuance under option plans and deferred compensation agreement (1,400 shares common)	--	--	1	31
Conversion of 14,930 shares of Preferred for 10,473 shares of Common	--	(15)	11	4
At December 31, 1972	**$104**	**$410**	**$2,051**	**$35,054**

FEDERAL PAPER BOARD COMPANY, INC. (DEC)

Notes to Financial Statements

Other Capital

	1972	1971
	($ thousands)	
Balance beginning of year	$ 689	$596
Excess of par value over cost of 4.6% preferred stock applied to sinking fund	30	93
Excess of cost over option price of common treasury shares issued upon exercise of stock options	(4)	--
Excess of fair value over par value of $1.20 preferred stock	31,767	--
Excess of fair value over par value of common stock	30,443	--
	$62,925	**$689**

In connection with the Riegel merger, the Company issued 1,764,814 shares of $1.20 convertible preferred stock and 1,323,611 shares of common stock, which were recorded at fair values of $19 and $28, respectively. Fair values were based on an average of the market prices of $1.20 convertible preferred stock after issuance and on an average of the market prices of common stock before and after the announcement of the merger.

Stock Issued in Connection With Employee Plans

ALUMINUM COMPANY OF AMERICA

Notes to financial statements

Note G: Additional capital—The changes in additional capital follow:

	1972	1971
	($ thousands)	
Balance at beginning of year	$57,269	$52,834
Excess of amounts received over aggregate par value of Alcoa common stock issued for salaried employees' savings plan, employees' stock option plan and incentive compensation plan (176,969 and 87,827 shares, respectively)	8,719	4,110
Excess of fair value over par value of Alcoa common stock issued to acquire a company accounted for as a purchase (18,000 and 7,007 shares, respectively)	771	357
Adjustment resulting from exchange of Alcoa common stock for common stock of a company accounted for as a pooling of interests (75,000 shares)	--	(32)
Balance at end of year	**$66,759**	**$57,269**

CHRYSLER CORPORATION (DEC)

Consolidated Statement of Additional Paid-in Capital

	1972	1971
Balance at beginning of year	$534,685,616	$484,020,938
Excess of market price over par value of newly issued shares of Common Stock sold to the thrift-stock ownership programs (1,402,030 in 1972; 1,451,391 in 1971)	37,193,788	31,954,978
Excess of option price over par value of shares of Common Stock issued under the stock option plans (6,346 in 1972; none in 1971)	151,483	--
Proceeds from sale of Warrants	--	18,709,700
Balance at end of year	**$572,030,887**	**$534,685,616**

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

Consolidated Statement of Additional Paid-in Capital

	1972	1971
Balance at beginning of year	$44,672,198	$42,582,483
Excess of option price over par value of common stock (1972–199,277 shares; 1971–147,224 shares) and assigned value of $4.25 cumulative convertible preferred stock (1972–123 shares; 1971–173 shares) issued upon exercise of stock options	2,980,369	2,058,236
Excess of proceeds over cost of treasury stock (1972–1,000 shares; 1971–2,550 shares) issued upon exercise of stock options	12,655	32,270
	47,665,222	**44,672,989**
Less adjustments in connection with conversions of $4.25 cumulative convertible preferred stock	764	791
Balance at end of year	**$47,664,458**	**$44,672,1198**

Conversion of Debt

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Consolidated Statements of Additional Capital and Retained Earnings

	1972	1971
ADDITIONAL CAPITAL:		
Balance at beginning of year	$7,413,526	$6,477,849
Add (Deduct):		
Principal amount of convertible debentures in excess of par value of common stock issued upon conversion (Note 6)	522,500	955,315
Other, Net	(15,821)	(19,638)
Balance at end of year	**$7,920,205**	**$7,413,526**
RETAINED EARNINGS:		
Balance at beginning of year	$35,099,750	$33,197,930
Add (Deduct):		
Net income	6,078,108	4,740,204
Cash dividends paid ($1.00 per share)	(2,852,620	(2,838,384)
Balance at end of year	**$38,325,238**	**$35,099,750**

Note 6: During 1972 the Company issued 28,600 shares (52,274 in 1971) of previously unissued common stock in connection with conversions of the 5¾% convertible subordinated debentures, sold 290 shares (none in 1971) of previously unissued common stock to employees under a stock option plan, and acquired 12,850 shares (7,200 in 1971) of treasury stock.

UNITED FOODS, INC. (FEB)

Consolidated Statements of Additional Paid-in Capital and Retained Earnings (Deficit)

	1972	1971
ADDITIONAL PAID-IN CAPITAL:		
Amount at beginning of year as previously reported	$ --	$ 6,659,062
Adjustment to give retroactive effect to the acquisition of The Winter Garden Freezer Company, Inc., under the pooling of interests concept	--	(576,843)
As restated	5,960,346	6,082,219
Excess of fair value over par value of common shares issued in payment of notes to former shareholders of a wholly-owned subsidiary	--	8,529
Excess of face amount of 6 and 6½% convertible subordinated notes over par value of 336,185 common shares issued on conversion less unamortized costs	971,718	--
Additional cost of rights offering	--	(159,503)
Excess of proceeds over par value from exercise of common stock purchase warrants for 535,006 and 2,734 shares	802,509	4,101
Proceeds from issuance of notes attributable to related common stock purchase warrants	--	25,000
Amount at end of year	**$7,734,573**	**$ 5,960,346**
RETAINED EARNINGS (DEFICIT):		
Amount at beginning of year as previously reported	$ --	$(4,882,369)
Retained earnings of pooled company	--	2,858,120
As restated	(341,147)	(2,024,249)
Net income	4,354,722	1,683,102
Adjustment required to effect pooling	(275,120)	--
Amount at end of year	**$3,738,455**	**$ (341,147)**

Warrants

THE B.F. GOODRICH COMPANY (DEC)

Statement of Shareholders' Equity

(Columns for Common Stock, Income Retained in the Business, and Common Stock Held in Treasury Omitted for Presentation Purposes)

	($ thousands)		
	Preferred Stock		Additional
	Shares	Amount	Capital
Balance at January 1, 1971	--	--	$ 73,373
Common stock purchased for treasury	--	--	--
Common stock held in treasury reissued to Employee Stock Purchase and Savings Plan	--	--	373
Net income	--	--	--
Cash dividends paid:			
Common Stock, $1.00 a share	--	--	--
Balance at December 31, 1971	--	--	**73,746**
Issuance of Series A Preferred Stock, $1.00 par value	250	$250	24,176
Value ascribed to warrants attached to 7% Subordinated Debentures	--	--	9,146
Common Stock held in treasury reissued (including 23,900 shares issued to Employee Stock Purchase and Savings Plan)	--	--	(21)
Net income	--	--	--
Cash dividends paid:			
Series A Preferred Stock, $7.85 a share annually	--	--	--
Common Stock, $1.00 a share	--	--	--
Balance at December 31, 1972	**250**	**$250**	**$107,047**

Notes to Financial Statements

Note D (in part): Shareholders' Equity: Series Preferred Stock—The Board of Directors is authorized to establish and designate series and to fix the number of shares and the relative rights, preferences and limitations of the respective series of the Series Preferred Stock.

On August 15, 1972, the Company sold to the public for $100.00 a share, 250,000 shares of $7.85 Cumulative Preferred Stock, Series A. Additional capital has been credited with the excess of the aggregate selling price, less issuance expenses, over the par value of the shares.

Commencing August 15, 1979, and annually thereafter, so long as any shares of Series A Stock are outstanding, the Company must, in order to comply with sinking fund requirements, redeem 12,500 shares of the Series A Stock at a price of $100.00 a share, plus dividends accrued at the redemption date. The Company may redeem, at such price, up to an additional 12,500 shares in each such year.

At the option of the Company, the Series A Stock may be redeemed, in whole or in part, at any time, but subject to certain conditions prior to August 15, 1982. The redemption price, which decreases each August 15, is $107.85 a share to August 15, 1973 ($107.46 a share for the twelve months thereafter) plus accrued dividends.

Common Stock—Warrants to purchase 1,500,000 shares of Common Stock were issued in connection with the $75,000,000 principal amount of 7% Subordinated Debentures sold to the public on August 15, 1972. The warrants are exercisable at $30.00 a share (subject to anti-dilution provisions) until August 15, 1979, when they expire, unless extended by the Company. Additional capital has been credited with the estimated market value ascribed to the warrants. At December 31, 1972, no warrants have been exercised.

Purchase—Additional Stock Payments

FILTER DYNAMICS INTERNATIONAL, INC. (NOV)

Consolidated Statement of Capital in Excess of Par Value

	1972	1971
Balance—At beginning of period	$ 5,918,823	$2,679,511
Excess of market value over par value of 200,529 common shares issued to acquire subsidiaries	--	2,890,846
Excess of market value over par value of 19,997 and 19,154 preferred shares issued as a 5% stock dividend for 1972 and 1971 respectively	499,925	270,550
Excess of market value over par value of option exercised	--	9,900
Offering price over par value of 300,000 common shares issued, net of related expenses	6,885,176	--
Excess of market value over par value of 3,024 common shares issued as compensation in 1972 and 6,976 common shares issued to cancel contract in 1971	30,238	68,016
Excess of market value over par value of 87,307 additional shares earned upon attainment of specified earnings levels by acquired companies	2,139,021	--
Balance—At end of period	**$15,473,183**	**$5,918,823**

Purchase or Redemption of Capital Stock

THE CLEVELAND-CLIFFS IRON COMPANY

Statement of Consolidated Shareholders' Equity

($ thousands)	Preferred Shares	Common Shares	Capital in Excess of Par Value of Shares	Retained Income	Common Shares in Treasury	Total
Balance January 1, 1971, as previously reported	**$14,972**	**$4,166**	**$18,782**	**$171,110**	**$(58,510)**	**$150,520**
Credit resulting from adoption of equity method of accounting for investments in certain associates—Note B	.	.	.	1,225,	.	1,225
Balance January 1, 1971, restated	**14,972**	**4,166**	**18,782**	**172,335**	**(58,510)**	**151,745**
Net income	.	.	.	14,661	.	14,661
Cash dividends paid:	.	.	.	.	.	.
Preferred—$4.50 a share	.	.	.	(663)	.	(663)
Common—$1.80 a share	.	.	.	(5,256)	.	(5,256)
Cost of 121,017 equivalent Common Shares, held by a subsidiary, acquired principally through the issuance of 135,512 Common Shares in connection with exchange and distribution offers	.	136	9,040	.	(8,840)	336
Fair market value of warrants to purchase 108,702 Common Shares recorded as additional cost of Common Shares in treasury	.	.	652	.	(652)	-0-
Issuance of 16,238 Common Shares from treasury upon exercise of warrants	.	.	355	.	717	1,072
Purchase and retirement of 5,578 Preferred Shares	(558)	.	109	.	.	(449)
Other—463 Common Shares	.	.	.	.	(63)	(63)
Balance December 31, 1971	**14,414**	**4,302**	**28,938**	**181,077**	**(67,348)**	**161,383**
Net income	.	.	.	19,189	.	19,189
Cash dividends paid:	.	.	.	.	.	.
Preferred—$4.50 a share	.	.	.	(562)	.	(562)
Common—$1.82 a share	.	.	.	(5,462)	.	(5,462)
Purchase and retirement of 38,122 Preferred Shares	(3,812)	.	356	.	.	(3,456)
Retirement of 1,100,000 Common Shares in treasury—Note E	.	(1,100)	(14,610)	(42,961)	58,671	-0-
Other—1,550 Common Shares	.	.	(27)	.	(99)	(126)
Balance December 31, 1972	**$10,602**	**$3,202**	**$14,657**	**$151,281**	**$(8,776)**	**$170,966**

Note E (in part): Preferred and Common Shares—During 1972, a Plan of Complete Liquidation and Dissolution of Cliffs-St. Clair Corporation ("St. Clair") was adopted by the Company as holder of 93% of the outstanding common stock of St. Clair. As a result of the liquidation, the Company received 1,051,341 shares of the Company's Common Shares, and assumed certain liabilities, in exchange for its ownership in St. Clair. The Company had previously classified 1,051,130 Common Shares held by St. Clair as treasury stock held by a subsidiary. Also during 1972, the Company retired 1,100,000 Common Shares in treasury, substantially all of which were received upon the liquidation of St. Clair.

McGRAW-EDISON COMPANY (DEC)

Consolidated Statement of Additional Paid-in Capital

	($ thousands)	
	1972	**1971**
Balance at Beginning of Year, as Previously Reported	$ 59,845	$ 56,931
Excess of par value of capital stock and capital surplus of predecessor companies, combined on a pooling-of-interests basis, over par value of 1,139,588 shares issued	1,996	1,996
Combined Balance at Beginning of Year	**$61,841**	**$ 58,927**
Proceeds in excess of par value of 13,592 shares of stock in 1972 and 53,236 shares in 1971 sold under stock option plans	326	1,416
Paid-in capital arising from issuing treasury shares principally in partial satisfaction of the Company's profit sharing contribution liability	--	1,498
Cost in excess of par value of 250,959 treasury shares acquired in 1972	(10,395)	--
Balance at end of year	**$ 51,772**	**$ 61,841**

Tax Effect of Disqualifying Stock Dispositions

GIANT FOOD INC. (APR)

Consolidated Statement of Shareholders' Equity

	($ thousands)			
		Capital in		
	Common stock,	excess	Retained	
	all classes	of par	earnings	Total
Balance, April 26, 1970	**$2,910**	**$5,687**	**$31,157**	**$39,754**
Net income for the year (52 weeks) ended April 24, 1971			4,209	4,209
Issue of 40,955 shares of Class "A" common stock, exercise of employees' options	41	305		346
Tax benefit related to employees' stock option (note 3)		33		33
Cash dividends paid on Class "A" stock (.53 per share)			(1,474)	(1,474)
Balance, April 24, 1971	**2,951**	**6,025**	**33,892**	**42,868**
Net income for the year (53 weeks) ended April 29, 1972			8,415	8,415
Issue of 4,299 shares of Class "A" common stock, exercise of employees' options	4	81		85
Tax benefit related to employees' stock options (note 3)		17		17
Cash dividends paid on Class "A" stock (.53 per share)			(1,485)	(1,485)
4% stock dividend payable June 3, 1972 (note 6):				
Issue of 117,431 shares Class "A" common stock	117	3,376	(3,493)	
Cash in lieu of fractional shares			(24)	(24)
Balance, April 29, 1972	**$3,072**	**$9,500**	**$37,304**	**$49,876**

Note 3 (in part): Income Taxes—Disqualifying dispositions of the Company's common stock issued under its qualified stock option plan have the effect of creating ordinary income (instead of capital gain income) for employees and tax benefits for the Company. Such tax benefits have been credited to capital in excess of par.

JOY MANUFACTURING COMPANY (SEP)

Notes to Consolidated Financial Statements

Shareholders' Equity (in part)—Changes in the shareholders' equity accounts exclusive of retained earnings are shown below:

	($ thousands)		
	Par value of common stock issued	Paid-in capital	Treasury stock
At September 25, 1970	$4,749	$16,513	$(3,434)
Sale of 400,000 shares of common stock under public offering	400	20,570	
Sale of common stock to option holders	58	1,699	
2,459 shares issued to key employees under deferred compensation plans		(32)	83
79,313 Treasury shares issued for Robbins		2,001	2,499
At September 24, 1971	**5,207**	**40,751**	**(852)**
7,500 Treasury shares acquired			(438)
Sale of common stock to option holders	15	449	
2,329 shares issued to key employees under deferred compensation plans		(33)	72
Tax benefits arising from disqualifying dispositions of shares issued under stock options and other transactions		304	
At September 29, 1972	**$5,222**	**$41,471**	**$(1,218)**

STANDARD BRANDS PAINT COMPANY (SEP)

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In	Retained
	Shares	Amount	Capital	Earnings
	(Shares and $ in thousands)			
Balance, September 30, 1970	2.559	$2,559	$4,462	$13.873
Shares issued in connection with acquisition of Wax and Raine's Standard Brands, Inc.	66	66	254	537
Balance, September 30, 1970, as restated	**2,625**	**2,625**	**4,716**	**14,410**
Net earnings for 1971	--	--	--	4.530
Exercise of stock options, net of issue cost	16	16	216	--
Credit equivalent to tax benefit from early sale of stock issued under qualified stock option plan	--	--	140	--
Cash dividends paid—$0.195 per share (restated for subsequent stock split—note 6)	--	--	--	(1,001)
Balance, September 30, 1971	**2,641**	**2,641**	**5,072**	**17,939**
Net earnings for 1972	--	--	--	5.359
Exercise of stock options, net of issue cost	23	23	183	--
Credit equivalent to tax benefit from early sale of stock issued under qualified stock option plan	--	--	139	--
Two-for-one common stock split (note 6)	2,577	2,577	(2,577)	--
Cash dividends paid—$0.204 per share	--	--	--	(1,056)
Net earnings adjustment to conform fiscal year of pooled company	--	--	--	(46)
Balance, September 30, 1972	**5,241**	**$5,241**	**$2,817**	**$22,196**

Note (6): Common Stock Split—On January 14, 1972, 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 5,000,000 to 10,000,000 shares. Accordingly, $2,577,474, representing the par value of additional shares issued, has been transferred from additional paid-in capital to the common stock account.

Public Offering of Stock

J. B. LIPPINCOTT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note (5): Capital Contributed—On March 23, 1972, the stockholders approved a proposal authorizing an amendment to and restatement of the Articles of Incorporation of the Company under which the previously authorized 300,000 shares of Common Stock, no par value, were increased to 2,500,000 shares of Common Stock, no par value, having a stated capital applicable thereto of $1.00 per share. Each of the 118,880 shares of the then outstanding Common Stock was converted into seven shares of Common Stock, no par value, having a stated capital applicable thereto of $1.00 per share resulting in an aggregate of 832,160 shares outstanding. On March 23, 1972, 275 shares of Common Stock, no par value, held by the Company as treasury stock were cancelled and became authorized and unissued shares of the Company's Common Stock, no par value. The financial statements at December 31, 1971 have been restated to reflect a retroactive treatment to these transactions. Capital contributed in excess of stated value at January 1, 1971 and December 31, 1971 arises from giving retroactive effect to these transactions.

On May 31, 1972, the Company made a public offering of 350,000 shares of its Common Stock, thus increasing its outstanding shares to 1,182,160. The Company used the proceeds of the offering, net of offering costs, to retire $1,370,000 of the unsecured term bank loan plus interest. The balance of the proceeds was used to reduce part of the amount then outstanding under the Company's revolving credit loan.

The Company's 20,000 shares of authorized, issued and outstanding Preferred Stock, par value $10 per share, were called for redemption and cancellation on April 28, 1972, effective May 10, 1972, at a redemption price of $10.50 per share, an aggregate of $210,000. The $10,000 premium on the redemption has been charged to retained earnings.

Changes in capital contributed were as follows:

	Preferred Stock		Common Stock		Capital Contributed in Excess of Stated
	Shares	Amount	Shares	Amount	Value
Balance, January 1, 1971	20.000	$200.000	831.285	$ 831.285	$1.391.805
Common Stock sold			1.750	1.750	4.745
Common Stock purchased			(875)	(875)	(2.390)
Balance, December 31, 1971	**20,000**	**$200,000**	**832,160**	**$ 832,160**	**$1,394,160**
Redemption and cancellation of Preferred Stock	(20.000)	(200.000)			
Proceeds from sale of 350,000 shares of Common Stock, less offering costs of $140,645			350,000	350,000	4.024.355
Balance, December 31, 1972	--	**$ --**	**1,182,160**	**$1,182,160**	**$5,418,515**

Unearned Escrow Shares

MILTON ROY COMPANY (DEC)

Consolidated Statement of Shareholders' Equity

				Treasury Stock		Total
	Common Stock	Paid-In	Retained	(At Cost)		Shareholders'
	$1 Par Value	Capital	Earnings	Shares	Amount	Equity
Balance January 1, 1971	$1,074,465	$1,934,540	$ 7,875,959	14,484	$59,045	$10,825,919
Net income for the year of 1971	--	--	1,369,721		--	1,369,712
Cash dividend by pooled company prior to acquisition	--	--	(10,300)		--	(10,300)
Treasury stock issued for acquisitions	--	177,152	--	(6,000)	(25,348)	202,500
Employee stock options exercised	3,300	39,049	--		--	42,349
Sale of common stock—public offering	100,000	2,648,455	--		--	2,748,455
Balance December 31, 1971 reported	**1,177,765**	**4,799,196**	**9,235,371**		**33,697**	**15,178,635**
Stock issued for 1972 pooled acquisitions	125,000	594,561	--	(8,734)	(7,816)	727,377
Retained earnings of 1972 pooled acquisitions	--	--	285,250		--	285,250
Equity (Loss) in joint venture prior to January 1, 1972	--	--	(43,400)		--	(43,400)
Balance December 31, 1971 restated	**1,302,765**	**5,393,757**	**9,477,221**		**25,881**	**16,147,862**
Net income for the year of 1972	--	--	1,910,727		--	1,910,727
Employee stock options exercised	454	9,925	--		--	10,379
Unearned escrow shares returned	--	23,607	--	14,960	28,458	(4,851)
Balance December 31, 1972	**$1,303,219**	**$5,427,289**	**$11,387,948**	**14,710**	**$54,339**	**$18,064,117**

Notes to the Consolidated Financial Statements

Note 3: Capital—The authorized capital of Milton Roy Company consists of 250,000 shares of preference stock with a par value of $1 and 2,000,000 shares of common stock with a par value of $1.

The preference stock, none of which has been issued, may be divided into one or more series with voting rights, preferences, and privileges as determined by the Board of Directors.

Common stock authorized was increased from 1,500,000 shares to 2,000,000 shares in 1972.

14,960 shares were added to treasury from escrow in 1972; these had been placed in escrow under earn-out provisions of acquisition agreements and had not been earned at the expiration of the periods of the earn-out.

5,885 shares remain in escrow under current acquisition agreements. These shares are considered to be outstanding.

Section 5: Statement of Changes in Financial Position

This section reviews the format and content of the Statement of Changes in Financial Position. *APB Opinion No. 19—Reporting Changes in Financial Position,* which applied for the first time to all the survey companies, requires that "a statement summarizing changes in financial position. . . be presented as a basic financial statement for each period for which an income statement is presented." The Statements appearing as examples in this section have been edited to show, if not already so shown in the annual report, all dollar amounts in thousands. Except for several examples at the end of this section, disclosures of changes in elements of working capital (required by *Opinion No. 19)* have been omitted to emphasize other information contained within the statement.

TABLE 5-1 PRESENTATION OF STATEMENT OF CHANGES IN FINANCIAL POSITION IN ANNUAL REPORT

	1972	1971	1970	1969
Statement Referred to in Auditors' Report:				
Final statement (*79, 306, 618) ...	443	466	424	366
Between income statement and balance sheet (*171, 531, 709) .	46	54	45	33
First statement (*8, 240, 432)	20	22	31	27
Other (*274, 384, 666)	86	51	40	29
Statement separated from other financial statements (*185, 419)	5	3	19	21
Subtotal	**600**	**596**	**559**	**476**
Statement not Referred to in Auditors' Report:				
Statement included with other financial statements	-	1	8	25
Statement separated from other financial statements	-	-	6	47
Subtotal	**-**	**1**	**14**	**72**
Companies Presenting Statement	**600**	**597**	**573**	**548**

*Refer to Company Appendix Section.

PRESENTATION AND OPINION

Table 5-1 shows that all the survey companies presented a statement of changes in financial position and all such statements were referred to in the Auditors' Report. For 1972 all the aforementioned statements were presented on a comparative basis as compared to 596,538, and 462 in 1971, 1970 and 1969, respectively.

TITLE

Opinion No. 19 recommends the title *Statement of Changes in Financial Position.* Table 5-2 summarizes the titles used by the survey companies to describe the statements of changes in financial position.

TABLE 5-2: TITLE OF STATEMENT OF CHANGES IN FINANCIAL POSITION

	1972	1971	1970	1969
Statement of changes in financial position	580	526	-	-
Source and application/use/disposition of funds/working capital	13	52	472	418
Changes in working capital or working capital changes	2	12	50	60
Funds statement or statement of funds	2	4	29	28
Miscellaneous other titles	3	3	22	42
Companies Presenting Statement	**600**	**597**	**573**	**548**

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 5-3 summarizes the frequency of the presentation of the three possible forms within each type.

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.

Examples of statements of changes in financial position follow.

TABLE 5-3: FORMAT OF STATEMENT OF CHANGES IN FINANCIAL POSITION

	1972	1971	1970	1969
Changes in Working Capital:				
Sources equal uses (*6, 205, 703)	101	117	178	189
Increase (decrease) in working capital (*335, 463, 610)	390	346	197	171
Ending working capital (*116, 304, 643)	80	95	154	150
Subtotal	**571**	**558**	**529**	**510**
Changes in Cash:				
Sources equal uses (*146, 367)	5	9	9	7
Increase (decrease) in cash or cash and cash equivalent (*316, 451, 587)	11	16	16	15
Ending cash or cash and cash equivalent (*35, 207, 299)	13	12	14	11
Miscellaneous other forms	-	2	5	5
Subtotal	**29**	**39**	**44**	**38**
Total Companies	**600**	**597**	**573**	**548**

Sources Equal Uses

MERCK & CO., INC. (DEC)

Statements of Consolidated Changes in Financial Position

($ thousands)

SOURCE OF WORKING CAPITAL:	1972	1971
Net income for year	$147,556	$129,368
Net income of foreign subsidiaries and branches—Month of December 1971		4,190
Depreciation and obsolescence	35,638	31,521
Deferred income taxes	1,670	2,780
Working capital provided from operations	**184,864**	**167,859**
Proceeds from long-term debt	3,400	21,435
Proceeds from common stock issued under stock option plan	11,232	4,706
Total	**$199,496**	**$194,000**
APPLICATION OF WORKING CAPITAL:		
Dividends to stockholders	$ 83,703	$ 81,917
Expenditures for property, plant, and equipment	68,990	66,557
Payments on long-term debt	10,380	6,353
Purchase of treasury stock	2,537	9,061
Miscellaneous, net	1,279	(3,082)
Increase in working capital	32,607	33,194
Total	**$199,496**	**$194,000**

THE SINGER COMPANY (DEC)

Statement of Changes in Financial Position

($ millions)

	1972	1971
SOURCE OF FUNDS		
Net income	$ 87.5	$ 71.5
Depreciation and amortization	66.6	62.2
Less equity in undistributed earnings of unconsolidated subsidiaries and affiliates	11.1	12.8
Funds provided from operations	**143.0**	**120.9**
Long-term debt issued	48.2	45.4
Changes in other non-current items	8.0	11.5
Sales and other dispositions of capital stock	11.7	8.5
Dispositions of property, plant and equipment	33.1	27.3
Decrease in:		
Investments	22.7	— —
Inventories	41.8	— —
Accounts receivable	13.5	— —
Cash and marketable securities	7.5	— —
Increase In:		
Other current liabilities	2.5	6.1
Notes and loans payable	— —	53.9
Income tax liabilities	— —	16.7
	$332.0	**$290.3**

USE OF FUNDS		
Reduction of long-term debt	$ 45.2	$ 73.1
Additions to property, plant and equipment	111.1	83.0
Dividends	44.9	44.1
Purchases of treasury stock	60.4	5.3
Decrease in:		
Notes and loans payable	59.4	--
Income tax liabilities	11.0	--
Increase in:		
Investments	--	45.9
Inventories	--	22.7
Accounts receivable	--	11.1
Cash and marketable securities	--	5.1
	$332.0	**$290.3**

USE OF FUNDS:		
Expenditures for property and equipment	100,548	92,645
Dividends	42,681	39,837
Acquisition of minority interest in Dial	48,338	
Net decrease in short-term debt	8,305	125
Retirement of long-term obligations	54,819	102,687
Exchange of debentures and preference stocks	3,536	13,824
Purchase of Greyhound common and Armour preferred stocks	7,061	1,440
Increase (decrease) in investments and advances	11,673	(3,394)
Increase in receivables and inventories	44,782	6,174
Other items-net	3,963	4,530
	325,706	**257,868**
Decrease in Cash, Short-Term Investments and Marketable Securities	$9,988	1,946

Increase (Decrease) In Working Capital Or Cash

THE GREYHOUND CORPORATION (DEC)

Changes in Consolidated Financial Position

	($ thousands)	
	1972	**1971**
SOURCE OF FUNDS:		
From operations:		
Income before extraordinary loss	$70,104	$70,542
Depreciation	40,296	40,115
Deferred federal income taxes	4,501	3,637
Undistributed net income of unconsolidated subsidiaries	(10,486)	(7,833)
Other-net	2,214	6,186
Total from operations	**106,629**	**112,647**
Extraordinary loss	(3,256)	
Businesses sold:		
Proceeds from sales	59,437	67,950
Other changes-net	(1,569)	1,293
Disposals of property and equipment:		
Sale of canned meats manufacturing facility	29,500	
Other	17,144	15,580
Long-term financing	53,127	16,127
Transactions with unconsolidated subsidiaries	(2,664)	6,127
Increase in current accrued liabilities	4,526	18,781
Common stock and warrants issued to acquire minority interest in Dial	48,216	
Exercise of warrants and employee stock options	1,094	3,597
Conversion of debentures and preference stocks into common stock	3,534	13,820
	315,718	**255,922**

UNITED AIRCRAFT CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	($ thousands)	
	1972	**1971**
SOURCES OF WORKING CAPITAL:		
Operations:		
Net income or (loss)	$ 50,600	$(43,942)
Items not requiring current outlay of funds:		
Depreciation	74,116	76,056
Changes in deferred investment tax credit	(1,814)	(1,659)
Miscellaneous	9,226	1,126
Total from operations	**$132,128**	**$31,581**
Proceeds from exercise of stock options	110	8
	$132,238	**$31,589**
USES OF WORKING CAPITAL:		
Additions to fixed assets	$27,964	$48,514
Long-term debt maturing	4,610	5,152
Cash dividends	21,806	21,796
Investments in and advances to other companies	(4,810)	(351)
Increase in notes and accounts receivable due after one year	23,286	11,326
	$72,856	**$86,437**
Increase (decrease) in working capital	$59,382	$(54,848)

GREAT WESTERN UNITED CORPORATION (MAY)

Consolidated Statement of Changes in Financial Position

		1972			1971 (2)	
	Real Estate Operations	Other Operations	Total	Real Estate Operations	Other Operations	Total
				($ thousands)		
SOURCES OF WORKING CAPITAL:						
From operations:						
Income before extraordinary loss and cumulative effect of accounting change	$ 2,072	$ 4,550	$ 6,622	$ 6,064	$ 4,105	$ 10,169
Add (deduct):	.	.	.	.	.	.
Provisions (credit) for deferred income taxes	6,257	(43)	6,214	7,911	(246)	7,665
Provision for depreciation and amortization	566	5,691	6,257	603	5,300	5,903
Provision for losses on repossessions	5,100	.	5,100	2,758	.	2,758
Increase (decrease) in estimated real estate improvement costs	(463)	.	(463)	1,185	.	1,185
Collections on prior years' contracts receivable	12,932	.	12,932	9,189	.	9,189
Contracts receivable on current year's sales	(25,340)	.	(25,340)	(34,650)	.	(34,650)
Funds provided by (used in) operations exclusive of extraordinary loss	**1,124**	**10,198**	**11,322**	**(6,940)**	**9,159**	**2,219**
Effect of extraordinary loss (3)	.	2,412	2,412	.	.	.
Additions to notes and loans payable	5,491	.	5,491	18,835	.	18,835
Additions to long-term debt	.	1,059	1,059	.	4,378	4,378
Property disposals	.	1,355	1,355	.	712	712
Total sources	**6,615**	**15,024**	**21,639**	**11,895**	**14,249**	**26,144**
USES OF WORKING CAPITAL:	.	.	.	.	.	.
Reductions of inventory of improved and unimproved real estate	(232)	.	(232)	(47)	.	(47)
Capital expenditures	.	5,725	5,725	.	3,734	3,734
Additions to other assets	1,096	.	1,096	3,677	.	3,677
Sinking fund for redemption of $1.88 cumulative preferred stock (Note 7)	.	1,750	1,750	.	.	.
Cash dividends (1)	.	2.783	2,783	.	6,514	6,514
Reduction of notes and loans payable	9,306	.	9,306	7,718	.	7,718
Reduction of long-term debt	.	5,749	5,749	.	4,197	4,197
Reduction (increase) in other liabilities	(1,767)	.	(1,767)	1,437	.	1,437
Other	.	1,583	1,583	.	(370)	(370)
Total uses	**8,403**	**17,599**	**25,993**	**12,785**	**14,075**	**26,860**
INCREASE (DECREASE) IN WORKING CAPITAL	**$ (1,788)**	**$(2,566)**	**$(4,354)**	**$ (890)**	**$ 174**	**$ (716)**
INCREASES (DECREASES) IN CURRENT ASSETS AND LIABILITIES:	.	.	.	.	.	.
Cash	.	.	$ (1,011)	.	.	$ (1,446)
Receivables	.	.	(5,501)	.	.	11,636
Inventories	.	.	1,235	.	.	703
Other current assets	.	.	(190)	.	.	843
Increase (decrease) in current assets	.	.	**(5,467)**	.	.	**11,736**
Notes payable	.	.	(2,473)	.	.	6,373
Long-term debt due within one year	.	.	2,354	.	.	33
Accounts payable and accrued liabilities	.	.	637	.	.	6,045
Dividend payable	.	.	(1,631)	.	.	1
Increase (decrease) in current liabilities	.	.	**(1,113)**	.	.	**12,452**
DECREASE IN WORKING CAPITAL	.	.	**$ 4,354**	.	.	**$ 716**

(1) No portion of the Parent Company's cash dividends has been allocated to the real estate operations.

(2) Certain 1971 amounts have been reclassified to conform to the 1972 format. The land sales accounting change (Note 10) had no effect on working capital.

(3) Represents extraordinary items resulting in a loss of $704,000 adjusted for $1,478,000 of related reductions in property and other assets and increases of $1,638,000 in other liabilities (Note 6).

End of Year Working Capital or Cash

ARMCO STEEL CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	($ thousands)	
	1972	**1971**
SOURCE OF FUNDS:		
Operations		
Net income for the year	$ 75,604	$ 50,711
Depreciation	79,202	70,575
Lease right amortization	16,198	15,146
Deferred income taxes	12,308	10,884
Equity in net income of unconsolidated subsidiaries	(5,548)	(4,718)
Other-net	416	(740)
Total from operations	**178,180**	**141,858**
Proceeds from issuance of long-term debt	32,463	39,720
Increase (decrease) in accounts payable and accruals	29,331	(17,456)
Increase in other liabilities	14,688	33,686
Total	**254,662**	**197,808**
USE OF FUNDS		
Capital expenditures	74,646	144,900
Decrease (increase) in current notes payable	58,504	(22,494)
Cash dividends	37,944	37,820
Payments on long-term debt	27,564	32,732
Increase in accounts and notes receivable	27,066	172
Increase in cost of investments	25,407	6,795
Increase (decrease) in inventories	9,879	(1,934)
Payments on long-term lease obligations	4,780	6,975
Other-net	5,810	(7,279)
Total	**271,600**	**197,687**
Decrease (increase) in Cash and Marketable Securities for year	16,938	(121)
CASH AND MARKETABLE SECURITIES		
Beginning of year	29,367	29,246
End of year	**$12,429**	**$29,367**

BROWN GROUP, INC. (OCT)

Changes in Consolidated Financial Position

	($ thousands)	
	1972	**1971**
FUNDS PROVIDED:		
Net earnings for the year	$ 22,755	$ 20,420
Provision for depreciation and amortization	8,703	8,152
From operations	**31,458**	**28,572**
Proceeds from issuance of 6½% Notes		29,715
Proceeds from sale of Common Stock under stock option plans	207	2,008
Other-net	475	(242)
Total funds provided	**32,140**	**60,053**
FUNDS USED:		
Cash dividends paid	11,367	13,290
Additions to property, plant and equipment	12,908	14,725
Cost of treasury stock acquired	799	
Long-term debt classified as current liability	1,004	948
Total funds used	**26,078**	**28,963**
Increase in working capital	6,062	31,090
Working capital at beginning of year	132,913	101,822
Working capital at end of year	**$138,975**	**$132,912**

CELANESE CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	($ millions)				
	1972	**1971**	**1970**	**1969**	**1968**
INCREASE/(DECREASE) IN WORKING CAPITAL:					
Income before extraordinary items	$ 51.2	$ 59.3	$ 52.6	$ 79.1	$ 61.0
Items not affecting working capital:					
Depreciation, depletion and amortization	131.2	115.5	99.1	98.0	95.1
Income taxes and investment tax credit deferred	3.8	15.9	14.3	8.1	24.6
Minority interest	4.9	7.0	4.6	9.1	4.1
Equity in undistributed income of affiliates	(5.3)	(3.9)	(0.9)	(4.3)	(2.3)
Working capital provided from operations	**185.8**	**193.8**	**169.7**	**190.0**	**182.5**
Extraordinary items affecting working capital	(3.1)	(35.5)	29.7	25.9	--
Capital assets:					
Additions	(127.7)	(169.4)	(135.1)	(178.7)	(131.5)
Proceeds from sales	3.2	4.0	3.1	4.6	4.6
Companies purchased:					
Capital assets	--	(61.4)	(6.9)	--	--
Goodwill	--	(13.3)	(5.4)	--	--
Debt assumed	--	19.6	1.1	--	--
Investments and advances:					
Additions	(14.2)	(3.7)	(54.6)	(16.5)	--
Change in allowance for losses	--	--	--	(85.2)	--
Sale of petroleum operations	--	40.0	80.0	29.9	--
Proceeds from sales	6.5	4.9	11.7	56.9	8.1
Long-term debt:					
Additions	57.0	42.1	3.8	32.5	32.0
Repayments	(62.4)	(64.3)	(47.7)	(41.4)	(21.1)
Exercise of stock options	--	8.6	0.8	0.7	0.2
Cash dividends	(32.0)	(31.9)	(31.3)	(31.3)	(31.2)
Other, net	(3.5)	19.0	11.3	(18.2)	(3.0)
Increase/(decrease) in working capital	**9.6**	**(47.5)**	**30.2**	**(30.8)**	**40.6**
Working capital: At beginning of year	231.8	279.3	249.1	279.9	239.3
At end of year	**$241.4**	**$231.8**	**$279.3**	**$249.1**	**$279.9**

WORKING CAPITAL OR CASH PROVIDED FROM OR USED IN OPERATIONS

Paragraph 10 of *Opinion No. 19* states:

> 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 ... 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 5-4: WORKING CAPITAL OR CASH PROVIDED FROM OPERATIONS-COMPONENTS

	1972	1971
Net Income or Loss		
Net income or loss (no extraordinary items)	395	396
Income or loss before extraordinary items (effect of extraordinary item on working capital or cash shown immediately after working capital or cash from operations)	139	118
Income or loss before extraordinary items (effect of extraordinary item not presented immediately after subtotal for operations)	66	83
Companies Presenting Statement	**600**	**597**
Other Frequent Components		
Depreciation and/or amortization and/or depletion	599	592
Deferred taxes and/or deferred investment credit	439	404
Equity in earnings or losses of investees .	158	130
Minority interest	62	57

Three hundred eighty-eight (382 in 1971) of the survey companies presented net income or loss (no extraordinary items) as the first amount in the statement of changes in financial position. Another one hundred eighty-seven (171 in 1971) companies presented income or loss before extraordinary items as the first amount. Five hundred eighty-one (573 in 1971) reported a subtotal for working capital or cash provided from (or used in) operations.

Table 5-4 shows those items most frequently included in the calculation of working capital or cash provided from (or used in) operations. Examples of the aforementioned calculation follow.

Calculation Includes Net Income

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF FUNDS:		
From operations:		
Net earnings	$17,698	$ 1,019
Items not requiring funds:		
Depreciation	17,126	16,605
Replacement items consumed in production	8,873	6,546
Increase in reserves	6,112	4,378
Deferred income taxes (1972—$7,950 less current deferred portion of $4,175)	3,774	3,032
Equity in net (earnings) loss of unconsolidated affiliated and subsidiary companies	(1,028)	5,491
Other, net	(388)	(547)
Funds provided from operations	**52,167**	**36,524**
From borrowings	52,665	3,692
Reduction of other investments and long-term receivables	2,983	--
Proceeds from sale of other investment and interests in subsidiaries and affiliates, less long-term notes receivable of $2,508 in 1971	1,260	3,302
Other, net	468	19
	109,543	**43,709**
USE OF FUNDS:		
Capital expenditures	27,679	15,943
Replacement items purchased	9,393	6,195
Dividends	10,795	12,218
Reduction of long-term debt	5,301	7,399
Reduction of reserves	6,235	5,581
Increase in investments in and advances to unconsolidated affiliated and subsidiary companies	29,336	--
	88,739	**47,316**
Increase (Decrease) in working capital ...	**$20,804**	**$(3,607)**

ANHEUSER-BUSCH, INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
FINANCIAL RESOURCES WERE PROVIDED BY:		
Operations–		
Income before extraordinary item	$ 76,400	$ 71,638
Charges to income not involving working capital–		
Depreciation	38,970	34,948
Deferred income taxes	7,353	6,829
Deferred investment tax credit	94	713
Other, net	691	804
Working capital provided by operations	**123,508**	**114,932**
Working capital provided by extraordinary item–		
Tax benefit of $4,006,000 less estimated expenses of $1,112,000	2,894	--
Sale of common stock under stock option plans	1,808	3,763
Fair market value of common stock issued in exchange for real estate	--	3,881
	128,210	**122,576**
FINANCIAL RESOURCES WERE USED FOR:		
Capital expenditures	84,217	73,214
Investment properties	146	2,208
Cash dividends paid	26,109	23,784
Reduction in long-term debt	17,464	11,509
Increased investment in unconsolidated subsidiaries, excluding transfers of land in the amounts of $2,640,000 and $1,689,000 respectively	1,218	4,536
Other, net	1,988	93
	131,142	**115,344**
Increase (decrease) in working capital	**$(2,932)**	**$7,232**

CLARK EQUIPMENT COMPANY (DEC)

Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
FINANCIAL RESOURCES WERE PROVIDED BY:		
Net income for the year	$ 40,312	$ 29,016
Add charges (deduct) credits to income not affecting working capital in the year:		
Net income of finance subsidiaries	(5,747)	(5,914)
Equity in unremitted earnings of minority-owned associated companies	(1,576)	(250)
Provision for depreciation of properties	15,929	14,749
Loss on sale of Chicago Castings properties	2,090	--
Provision for deferred income taxes	5,250	3,584
Working capital provided by operations	**56,258**	**41,185**
Addition to long-term borrowings	7,663	53,304
Long-term borrowings assumed in acquisition of business	--	3,339
Sales of properties	1,865	674
Increase in rental equipment installment obligations	5,170	4,287
Increase (decrease) in accrued items, etc.	(1,031)	2,618
Increase in common stock:		
Proceeds from sale of stock under option plan	1,244	1,326
Proceeds from sale of stock	--	40,695
Upon conversion of debentures	2,734	5,838
	73,903	**153,266**
FINANCIAL RESOURCES WERE USED FOR:		
Cash dividends	19,431	17,112
Additions to properties	27,767	22,764
Additions to properties from acquisition of businesses	--	9,682
Increase in investments in rental equipment	4,243	3,481
Investments in and advances to finance subsidiaries and minority-owned companies	12,855	2,468
Long-term borrowings paid, converted to common stock, or becoming current liability	29,513	62,050
Other items	1,139	(97)
	94,948	**117,460**
Increase (decrease) in working capital	**$(21,045)**	**$ 35,806**
ACCOUNTED FOR BY:		
Increase in current assets:		
Cash	$ (4,748)	$ 4,663
Accounts and notes receivable	6,350	4,878
Inventories	14,682	42,734
Prepaid expenses	(2,394)	2,400
	13,890	**54,675**
Less–Increase in current liabilities:		
Notes payable	24,423	(3,496)
Accounts payable	5,621	10,779
Accrued payrolls, etc.	754	6,089
Installment obligations owed to finance subsidiaries	501	1,572
Taxes on income	3,241	3,598
Current installments on long-term debt	395	327
	34,935	**18,869**
Increase (decrease) in working capital, as above	(21,045)	35,806
Working capital at beginning of year	221,119	185,313
Working capital at end of year	**$200,074**	**$221,119**

GARLOCK INC (DEC)

Statement of Changes in Consolidated Financial Position

	1972	1971
	($ thousands)	
SOURCES OF FUNDS:		
From operations:		
Net income	$4,513	$ 3,925
Depreciation and amortization	2,713	2,206
Deferred income taxes	210	442
Pension expense	502	402
Minority interest in net income	148	192
Recognition of deferred gains	--	(247)
Gain on disposition of property, plant and equipment	(248)	--
Other–net	(70)	(126)
Total from operations	**7,769**	**6,794**
Decrease in deferred charges and sundry investments	459	--
Sales and retirement of property, plant and equipment	498	69
Sale and issuance of treasury stock	21	41
Increase in long-term debt	5,083	948
Proceeds from common stock offering–net of expenses	--	4,133
Total sources	**$13,830**	**$11,985**
DISPOSITION OF FUNDS:		
Cash dividends	$ 1,891	$ 1,759
Acquisition of property, plant and equipment	5,162	5,657
Purchase of treasury stock	226	218
Increase in deferred charges and sundry investments	--	329
Reduction in long-term debt	1,089	1,025
Excess of investment in acquisitions over book value of net assets	268	222
Acquisition of minority interest	43	382
Other dispositions–net	119	55
Increase in working capital	5,032	2,338
Total dispositions	**$13,830**	**$11,985**

J.B. LIPPINCOTT COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF WORKING CAPITAL		
Operations		
Net income	$ 747	$ 721
Add (deduct) items not requiring (providing) working capital		
Amortization of printing plates	1,510	1,441
Depreciation	96	97
Royalty advances earned and write offs	501	428
Provision for unfunded pension liability	121	95
Deferred income taxes	(67)	(53)
Journal subscriptions earned	(2,111)	(1,920)
Total from operations	**$ 797**	**$ 809**
Proceeds from sale of 350,000 shares of common stock net of offering costs	4,374	--
Increase in non-current portion of notes and loans payable	2,038	--
Journal subscriptions received	2,316	1,925
Sale of common stock	--	7
Total working capital provided	**$9,525**	**$2,741**
USE OF WORKING CAPITAL		
Purchase of printing plates	$2,137	$2,074
Purchase of property and equipment	58	40
Increase in cash surrender value, life insurance	39	35
Royalty advances to authors	600	525
Increase in deferred charges	2	34
Decrease in non-current portion of notes and loans payable	--	193
Paid cash dividends	191	152
Redemption of preferred stock	210	--
Purchase of common stock	--	3
Total working capital used	**$3,237**	**$3,060**
Net increase (decrease) in working capital	**$6,288**	**$ (319)**

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

	1972	1971
	($ thousands)	
FINANCIAL RESOURCES PROVIDED BY		
Earnings before extraordinary items	$ 6,741	$ 6,563
Add (deduct) items not affecting working capital		
Depreciation and amortization of non-current assets	4,544	3,899
Additions to Long-term receivables	(10,073)	(14,854)
Federal income tax expense (eliminated by loss carryfoward)	3,393	2,722
Other	2,121	2,651
Working capital provided by operations excluding extraordinary items	**6,726**	**981**
Extraordinary items	1,067	3,160
Add (deduct) items not affecting working capital		
Writedown of equipment in connection with consolidation of laboratory operations	--	1,096
Federal income tax benefit from operating loss carryfoward	(3,393)	(2,722)
	(2,326)	**1,534**
Working capital provided by operations	**4,400**	**2,515**
Payments received on long-term receivables	4,374	971
Dispositions of investments and property and equipment	734	1,448
Bank borrowings	--	24,500
Other	55	1,456
	9,563	**30,890**

FINANCIAL RESOURCES USED FOR		
Additions to property and equipment	3,281	4,476
Reduction of bank borrowings and other long-term liabilities	19,982	21,385
	23,263	**25,861**
Increase (decrease) in working capital	**$(13,700)**	**$ 5,029**

XEROX CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1972	1971
	($ thousands)	
WORKING CAPITAL PROVIDED BY		
Operations		
Net income	$249,507	$212,610
Charges (credits) not affecting working capital		
Depreciation of rental equipment	312,031	245,164
Depreciation of buildings and equipment.	50,783	38,999
Amortization of patents, licenses and other intangibles	7,918	7,572
Amortization of deferred charges	14,206	12,498
Outside shareholders' interests in income	52,707	40,871
United Kingdom corporation tax	12,382	22,072
Deferred income taxes	(20,324)	(10,771)
Amortization of investment tax credits	(6,220)	(2,887)
Other	6,688	193
Working capital provided by operations	**679,678**	**566,321**
New long-term debt	177,126	164,794
Common stock issued upon exercise of stock options	15,330	8,679
Investment tax credits received	13,964	7,059
Other	2,306	2,453
Working capital provided	**888,404**	**749,306**
WORKING CAPITAL USED FOR		
Additions to rental equipment and related inventories	439,361	382,792
Additions to land, buildings and equipment	125,109	121,498
Payments made or due within one year on long-term debt	155,113	101,672
Dividends declared—Xerox Corporation shareholders	66,278	62,834
Dividends declared—outside shareholders	49,353	19,530
United Kingdom corporation tax currently payable	22,072	35,014
Deferred charges	7,534	9,886
Working capital used	**864,820**	**733,226**
Working Capital Increased	**$ 23,584**	**$ 16,080**

Calculation Includes Net Loss

AMPEX CORPORATION (APR)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
APPLICATION OF FUNDS:		
To operations:		
Net loss	89,660	12,005
Deduct depreciation and amortization (straight-line and declining balance methods)	18,336	13,404
Add equity in earnings of unconsolidated companies	6,923	5,905
Funds applied to operations	**78,247**	**4,506**
Additions to property, plant and equipment	14,746	24,714
Additions to leased equipment	13,876	5,138
Other	--	905
	106,869	**35,263**
SOURCE OF FUNDS:		
Increase in long-term debt	18,149	44,421
Decrease (increase) in investments	1,680	(6,760)
Decrease in noncurrent receivables	9,060	451
Other	206	10
Decrease (increase) in working capital	**77,774**	**(2,859)**

ARDEN-MAYFAIR, INC. (DEC)

Statements of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF FUNDS:		
Net income (loss)	$(1,039)	$2,119
Less:		
Undistributed earnings of unconsolidated subsidiary	128	94
Gain on disposal of security investments.	604	
	(1,771)	**2,025**
Add expenses not requiring outlay of working capital:		
Depreciation	5,256	4,712
Deferred income taxes	127	710
Increase in reserve for future lease costs	625	162
Total working capital provided from operations	**4,237**	**7,609**
Decrease in advances to unconsolidated subsidiary	700	
Decrease in noncurrent receivables	700	
Proceeds from sale of investments	854	2,471
Retirement or sale of property, plant and equipment	1,080	**884**
Common stock issued for acquisition		10,174
Other transactions, net	269	
Decrease in working capital		3,336
	$ 7,840	**$24,474**

APPLICATION OF FUNDS:		
Investment in property, plant and equipment	$ 4,088	$ 1,868
Decrease in long-term debt	2,212	4,669
Decrease in reserves for future lease costs	829	833
Repurchase of Preferred and Convertible Preference stock	35	3,487
Cash dividends	446	560
Advances to unconsolidated subsidiary for note repayments		2,675
Purchase of treasury stock		345
Purchase of subsidiary (net of working capital acquired of $503,070)		9,814
Other transactions, net		223
Increase in working capital	230	
	$ 7,840	**$24,474**

FIRST NATIONAL STORES INC. (MAR)

Consolidated Statement of Changes in Financial Position

	1972	1971 (Note 2)
	($ thousands)	
FINANCIAL RESOURCES WERE PROVIDED BY:		
Income (loss) before extraordinary credit.	$(1,566)	$ 3,511
Expenses not requiring outlay of working capital in the current period:		
Depreciation and amortization	7,508	7,023
Deferred federal income taxes	(1,100)	2,035
Other	832	620
Working capital provided by operations for the period exclusive of extraordinary credit	**5,674**	**13,189**
Working capital provided by extraordinary credit—proceeds from sale of investment	3,764	--
Total working capital provided by operations	**9,438**	**13,189**
Proceeds from:		
Long-term debt	10,000	2,179
Disposal of fixed assets	2,267	2,241
Exercise of stock options	106	26
	21,811	**17,635**
FINANCIAL RESOURCES WERE USED FOR:		
Additions to fixed assets	11,897	16,207
Reduction of long-term debt	1,317	595
Cash dividends declared	1,020	1,358
Acquisition of treasury stock	--	1,250
Purchases of investments	386	1,701
Change in other non-current assets	439	(78)
Other	40	35
	15,099	**21,068**
Increase (decrease) in working capital	6,712	(3,433)
Working capital at beginning of year	22,870	26,303
Working capital at end of year	**$29,582**	**$22,870**

GENERAL PLYWOOD CORPORATION (OCT)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
APPLICATION OF FUNDS:		
Operations:		
Loss before extraordinary items	$ 612	$ 898
Less depreciation and amortization	300	339
Total funds used in operations, exclusive of extraordinary items	312	559
(Gain) loss from extraordinary items (Note A)	(94)	280
Total funds used in operations	**218**	**839**
Current maturities on long-term debt	843	402
Additions to property, plant and equipment	776	62
Increase in working capital	428	
Increase in other assets	66	
Additions to patents	40	59
Total, exclusive of acquired business	2,371	1,362
Acquired business:		
Property, plant and equipment	419	
Working capital at date of acquisition	130	
Excess of amount paid over net book value of assets acquired	25	
Other assets	12	
	586	
	$2,957	**$1,362**
SOURCE OF FUNDS:		
Additional long-term borrowings	$1,192	$ 177
Carrying value of property, plant and equipment sold or retired	976	288
Issuance of common stock upon conversion of note payable	363	
Issuance of preferred stock upon conversion of note payable	400	
Sale of common stock	26	
Decrease in working capital		880
Other		15
Issuance of common stock in connection with stock purchase agreements		2
	$2,957	**$1,362**

MARHOEFER PACKING COMPANY, INC. (OCT)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
WORKING CAPITAL WAS USED FOR:		
Operations:		
Loss from continuing operations	$1,294	$192
Loss from discontinued operations	336	
Loss for the period before extraordinary item	1,630	192
Expenses, not requiring an outlay of working capital in the current period:		
Depreciation	(634)	(613)
Bond discount	(8)	(1)

Working capital used in (provided from) operations for the period exclusive of extraordinary item	**988**	**(423)**
Extraordinary item–fixed assets abandoned on discontinued operations	340	
Working capital used in (provided from) operations for the period	1,328	(423)
Acquisition of fixed assets	231	999
First Mortgage 6% Serial Bonds–Retired	2,000	200
Total	**3,559**	**775**
WORKING CAPITAL WAS PROVIDED BY:		
Proceeds from life insurance policies–net	160	119
Disposal of fixed assets	347	2
Term loan with finance company	2,400	
Pension provisions not currently payable	326	
Decrease in other assets		57
Total	**3,233**	**179**
Decrease in working capital	**$ 326**	**$596**

THE RUCKER COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1972	**1971**
SOURCES OF WORKING CAPITAL		
Income from continuing operations	$ 492	$ 1,293
Add: Depreciation and amortization	1,670	1,605
Working capital provided by continuing operations	**2,162**	**2,898**
(Loss) from discontinued operations	(1,662)	(1,449)
Add: Depreciation and amortization	442	1,063
Working capital absorbed by discontinued operations	**(1,220)**	**(386)**
Extraordinary items	(8,309)	(4,656)
Add: Portion not requiring outlay of working capital	2,560	1,147
Working capital absorbed by extraordinary items	**(5,749)**	**(3,509)**
Working capital absorbed by operations during the period	**(4,808)**	**(997)**
Disposal of businesses	2,338	(1,152)
Disposal of equipment for rent and property, plant and equipment	1,742	642
Reduction in notes and accounts receivable due after one year	1,953	1,053
Proceeds from long-term debt	1,800	
Other sources	741	664
Total Sources	**3,766**	**210**
USES OF WORKING CAPITAL		
Reduction of long-term debt	2,299	1,974
Additions to equipment for rent and property, plant and equipment	2,042	3,680
Dividends declared on preferred stock	250	187
Increase in patents, goodwill, and other intangibles	698	391
Other uses	399	
Total uses	**5,688**	**6,232**
Working capital (decrease)	**(1,922)**	**(6,022)**
Working capital, January 1	17,015	23,037
Working capital, December 31	**$15,093**	**$17,015**

OTHER SOURCES AND USES

Opinion No. 19 States in part:

8. The Board also concludes that the statement summarizing changes in financial position should be based on a broad concept embracing all changes in financial position and that the title of the statement should reflect this broad concept. The Board therefore recommends that the title be Statement of Changes in Financial Position (referred to below as "the Statement"). The Statement of each reporting entity should disclose all important aspects of its financing and investing activities regardless of whether cash or other elements of working capital are directly affected. For example, acquisitions of property by issuance of securities or in exchange for other property, and conversions of long-term debt or preferred stock to common stock, should be appropriately reflected in the Statement.

13. The effects of other financing and investing activities should be individually disclosed. For example, both outlays for acquisitions and proceeds from retirements of property should be reported; both long-term borrowings and repayments of long-term debt should be reported; and outlays for purchases of consolidated subsidiaries should be summarized in the consolidated Statement by major categories of assets obtained and obligations assumed. Related items should be shown in proximity when the result contributes to the clarity of the Statement. Individual immaterial items may be combined.

However, normal trade-ins to replace equipment should ordinarily be reported on a net basis.

When a business combination is accounted for as a pooling of interests, financial statements (including, in conformity with this Opinion, statements of changes in financial position) of the separate companies should be restated on a combined basis for all periods presented. See APB Opinion No. 16, Business Combinations, paragraph 57.

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.

TABLE 5-5: SOURCES OF WORKING CAPITAL OR CASH

	Number of Presentations	
	1972	1971
Sale, disposal, or retirement of property:		
No further description	297	226
"Proceeds" of disposition	51	74
"Book Value" or "Carrying Value"	44	44
Issuance of Capital Stock for:		
Stock option or stock purchase plan	267	280
Conversion of senior securities	68	65
Acquisition of assets	61	55
Long-term Debt:		
"Additions to" or "increase in"	156	224
Issuance of	65	201
Other Noncurrent Liabilities	119	103
Investments	86	86
Noncurrent Receivables	43	46

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).

Other sources and other uses are summarized in Tables 5-5 and 5-6, respectively. Examples of other sources and uses follow.

TABLE 5-6: USES OF WORKING CAPITAL OR CASH

	Number of Presentations	
	1972	1971
Property:		
"Additions" or "purchases"	390	423
"Expenditures"	145	131
"Property"	24	25
Gross additions less proceeds of disposition—both amounts disclosed	11	17
Purchase, redemption, or retirement of capital stock	211	211
Long-term Debt:		
"Reduction" or "decrease"	370	331
Repayment, redemption, or retirement	139	181
Transfer to current liabilities	58	57
Conversion to capital stock	27	22
Other noncurrent liabilities	91	94
Dividends	518	526
Investments	145	183
Intangibles	48	56
Noncurrent receivables	33	48

Property

ACME MARKETS, INC. (MAR)

Statements of Changes in Consolidated Financial Position

	1972	1971
	($ thousands)	
SOURCE:		
Net earnings	$12,426	14,934
Charges against net earnings not involving the expenditure of funds:		
Depreciation and amortization	20,130	18,630
Deferred income taxes	1,023	5
Other	56	31
Total funds provided from operations	**33,635**	**33,600**
Long-term borrowing:		
Mortgage loan on Alpha Beta bakery	4,730	5,000
Sinking fund debentures	--	25,000
Other	440	2,827
Distribution centers sold or to be sold and leased back	9,562	--
Other disposals of properties	3,621	1,696
Proceeds from sales of common stock pursuant to exercise of options	562	114
Proceeds from sales of 5,234 shares common treasury stock	289	--
Miscellaneous, net	797	113
Total source of funds	**53,636**	**68,350**
DISPOSITION:		
Expended for plant and equipment	39,771	30,870
Long-term debt becoming due within one year	2,890	2,759
Cash dividends	6,831	6,479
Investments and deferred charges (reduction)	336	(1,401)
Plant and equipment of companies acquired	--	1,032
Purchase of 5,234 shares common treasury stock	--	252
Total disposition of funds	**49,828**	**39,991**
Increase in working capital	**$ 3,808**	**28,359**

ERB LUMBER CO. (DEC)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
RESOURCES PROVIDED		
Income from operations	$1,226	$ 920
Depreciation and amortization	473	355
Net gain on sale of long term assets (shown gross below)	(67)	(171)
Deferred income taxes—non current portion	174	317
Equity in net income of unconsolidated entities	(246)	(43)
From operations	**1,560**	**1,378**
Proceeds from sale of long-term assets:		
Land held for future development	12	549
Rental properties	53	300
Property, plant and equipment	40	58
Additions to long-term indebtedness, excluding indebtedness incurred in acquisition of real estate and equipment	1	640
Portion of land held for future development transferred to current status upon commencement of development activity, net of indebtedness similarly reclassified	265	795
Proceeds from issuance of common stock	5,025	--
Issuance of common stock held in treasury and unissued common stock for purchase of outstanding minority interest of a subsidiary	--	125
Total resources provided	**6,956**	**3,845**
RESOURCES APPLIED		
Acquisition of real estate and equipment:		
Land held for future development	89	350
Rental land and buildings including apartment facilities under construction	1,159	2,426
Operating land and buildings	712	30
Equipment	594	331
Total acquisitions of real estate and equipment	**2,554**	**3,137**
Less long-term indebtedness incurred in acquisitions	1,752	1,902
Net application for acquisitions	**802**	**1,235**
Portion of land transferred from inventory to status of held for future development upon revision in plans for utilization of the property	526	--
Reduction of long-term indebtedness, excluding reclassification in connection with commencement of land development activities	429	596
Additional investment in and advances to unconsolidated entities	503	125
Purchase of common stock by disbursement of cash	--	25
Acquisition of outstanding minority interest in subsidiary	20	125
Other	466	372
Total resources applied	**2,746**	**2,478**
Net Increase in Working Capital	**$4,210**	**$1,367**

TENNECO INC. (DEC)

Consolidated Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF FUNDS:		
Funds provided from operations		
Net income	$203,017	$184,721
Charges to income not requiring funds:		
Depreciation, depletion and amortization	212,748	198,173
Deferred federal income taxes	15,768	13,634
Other	7,749	5,994
Undistributed earnings of majority-owned unconsolidated subsidiaries and companies in which at least a 20% voting interest is owned	(8,016)	(9,228)
Total funds provided from operations	**$431,266**	**$393,294**
Common stock sold	1,095	2,006
Common stock exchanged for convertible securities	34,871	16,839
Preferred stock sold	70,000	--
Long-term debt incurred	112,611	217,878
Disposal of properties	39,073	13,343
Other (net)	8,638	(17,968)
	$697,554	**$625,394**
Decrease (increase) in working capital exclusive of current maturities and acquired companies' working capital at date of acquisition—		
Cash and temporary cash investments	$ 73,177	$ (42,987)
Notes and accounts receivable	(34,206)	20,787
Inventories	(28,702)	(40,238)
Notes and accounts payable	92,517	31,352
Taxes accrued	(26,587)	37,205
Gas rate refund, including accrued interest	(20,176)	32,291
Other current assets and liabilities	(5,177)	(15,335)
	$ 50,846	**$ 23,075**
	$748,400	**$648,469**
USE OF FUNDS:		
Capital expenditures for plant, property and equipment—		
Natural gas pipelines	$ 97,444	$ 71,449
Oil production, refining, marketing	140,945	132,702
Machinery, equipment and shipbuilding	50,153	38,888
Packaging	16,399	13,553
Chemicals	16,358	11,270
Land use and other	24,146	22,197
	$345,445	**$290,059**
Net assets purchased in acquisitions	27,763	--
Retirement of interest bearing long-term debt	100,521	135,470
Retirement of noninterest bearing purchase obligations	8,291	8,291
Retirement of production payments	22,397	22,721
Dividends on common, preferred and preference stock	125,529	121,424
Preferred stock reacquired	7,512	7,420
Second preferred and preference stock exchanged for common stock	35,610	15,616
Investments and advances—		
Advances to secure future natural gas supply	38,389	1,689
Other (net)	36,939	45,779
	$748,400	**$648,469**

UNION CAMP CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
WORKING CAPITAL PROVIDED FROM:		
Current operations:		
Net income for the year	$38,816	$26,118
Provision for depreciation and cost of company timber	30,783	29,995
Provision for deferred federal income taxes	5,025	5,050
(Less) Undistributed earnings of unconsolidated subsidiaries and affiliates	(1,580)	(1,494)
Total current operations	**73,044**	**59,669**
Gross additions to long-term debt	407	63,630
Other:		
Appropriation of funds set aside for plant additions	8,963	--
Property retirements and adjustments	613	1,070
Miscellaneous	1,076	1,130
Total working capital provided	**84,103**	**125,499**
WORKING CAPITAL APPLIED TO:		
Additions to plant property, timberlands and equipment	44,008	33,369
Funds set aside for plant additions, held by trustee	--	9,579
Dividends paid	15,695	15,082
Repayment and reductions of long-term debt	9,529	27,052
Investment additions	1,746	7,846
Other—Net	2,640	2,090
Total working capital applied	**73,618**	**95,018**
Net change in financial position	**$10,485**	**$30,481**

Debt

AMERICAN MOTORS CORPORATION (SEP)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCES OF WORKING CAPITAL		
From operations:		
Earnings before extraordinary income tax credit	$ 16,457	$ 5,527
Depreciation and amortization of plant, equipment, tools and dies	37,477	36,128
Amortization of debt discount and expense	561	514
From operations	**54,495**	**42,169**
Income tax credit arising from operating loss carryforward	13,700	4,650
Proceeds from issuance of 6% Convertible Bonds (Note E)	24,310	
Proceeds from issuance of 6½% Notes (Note E)	12,637	
	105,142	**46,819**
APPLICATIONS OF WORKING CAPITAL		
Additions to property, plant, and equipment	30,663	27,240
Payments and maturities of 8½% Serial Notes	5,696	1,899
Miscellaneous	10,796	3,507
	47,155	**32,646**
Net increase in working capital	57,987	14,173
Working capital at beginning of the year	90,412	76,239
Working capital at end of the year	**$148,399**	**$90,412**

BRUNSWICK CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF FUNDS:		
From operations—		
Net earnings	$34,806	$25,665
Adjustments for non-cash items:		
Equity in undistributed net earnings of fifty percent owned foreign affiliate	(8,336)	(4,013)
Minority shareholders' equity in net earnings of Sherwood Medical Industries Inc.	1,282	1,317
Depreciation	16,859	14,242
Provision for possible losses on receivables	600	600
Funds provided from operations	**$45,211**	**$37,811**
Borrowings—		
Notes payable to banks, due 1982	12,000	--
Notes payable to banks, short-term	6,368	--
Long-term, secured	1,171	591
Common stock sold under stock option plans	1,292	1,072
Reduction in notes and accounts receivable	2,585	17,444
Increase in accounts payable, accrued expenses and income taxes, etc	11,560	13,729
	$80,187	**$70,647**
DISPOSITION OF FUNDS:		
Reduction of debt—		
5¾% notes payable to banks and insurance companies	$16,555	$14,170
Revolving credit	2,000	20,000
Debentures	4,200	2,188
Other	1,526	3,464
	$24,281	**$39,822**
Purchases of treasury stock	11,627	--
Cash dividends paid	3,009	2,251
Additions to plant and equipment, less sales, retirements, etc. of $3,354,000 in 1972 and $7,083,000 in 1971	28,357	23,147
Increase in inventories	15,391	10,657
Increase (decrease) in other assets	(15)	4,190
	$82,650	**$80,067**
Reduction in Funds for the Year	$(2,463)	$(9,420)
Cash and Marketable Securities, beginning of year	22,505	31,925
Cash and Marketable Securities, end of Year	**$20,042**	**$22,505**

GENERAL DYNAMICS CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCES OF WORKING CAPITAL:		
Operations–		
Earnings before extraordinary items	$ 26,042	$ 20,621
Costs and expenses not requiring the use of working capital:		
Depreciation, depletion and amortization of equipment on lease and property, plant and equipment	50,437	50,081
Provision (credit) for non-current deferred income taxes	(609)	4,785
Other	2,411	2,495
Total provided by operations before extraordinary items	**$ 78,281**	**$ 77,982**
Working capital provided by extraordinary items	$ 2,647	$ 2,944
Increase in long-term debt	$ 19,341	$ 17,893
Sale of investments	5,166	--
Borrowings from unconsolidated finance subsidiaries	4,118	3,405
Current maturities on receivables not currently due	2,989	1,092
Total provided from other sources	**$ 31,614**	**$ 22,390**
	$112,542	**$103,316**
USES OF WORKING CAPITAL:		
Expenditures for property, plant and equipment	$ 62,827	$ 60,548
Current maturities on long-term debt	19,261	21,192
Repayment of borrowings from unconsolidated finance subsidiaries	2,888	5,833
Acquisition of receivables not currently due	1,637	5,533
Other, net	2,801	2,847
	$ 89,414	**$ 95,953**
Increase in working capital for the year.	**$ 23,128**	**$ 7,363**

MAULE INDUSTRIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF FUNDS:		
Income before extraordinary items	$2,671	$ 579
Charges not requiring current outlay of working capital:		
Depreciation and depletion	4,281	3,714
Deferred income taxes	80	89
Working capital provided from operations before extraordinary items	**7,032**	**4,382**
Extraordinary items	1,385	2,931
Deferred income taxes applicable to extraordinary items, net of current portion	125	151
Working capital provided from operations including extraordinary items	**8,542**	**7,464**
New long-term debt:		
Debentures	5,800	4,200
Mortgage note	2,600	250
Purchase money mortgages	388	645
Equipment installment contracts and other	5,366	3,870
Issuance of preferred stock	--	3,300
Decrease in notes receivable, portion due after one year	1,288	1,207
Net Book value of plant and equipment sold or retired	1,066	1,668
Reduction of funds held in escrow	--	2,000
Total funds provided	**25,050**	**24,604**
APPLICATION OF FUNDS:		
Additions to property, plant and equipment	13,067	7,921
Decrease in non-current portion of long-term debt	6,495	9,719
Mortgage notes receivable from land sales and other dispositions	1,708	3,041
Cash dividends	1,889	329
Other non-current items, net	(278)	206
Total funds applied	**22,881**	**21,216**
Increase in working capital	**$2,169**	**$3,388**

MEREDITH CORPORATION (JUN)

Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
WORKING CAPITAL PROVIDED BY:		
Net earnings	$ 4,477	$ 3,119
Depreciation and amortization	6,600	5,812
Increase in non-current deferred income taxes	1,133	583
Working capital provided by operations	**12,210**	**9,514**
Long-term indebtedness (Note 4):		
Additions to long-term notes payable	19,368	915
Increase in non-current film contracts payable	308	305
	19,676	**1,220**
Proceeds from common stock issued during the year (Note 5)	979	957
Increase (decrease) in unearned subscription liability	3,968	(4,285)
Decrease in investments	632	--
Other	187	211
Total working capital provided	**37,652**	**7,617**
WORKING CAPITAL USED FOR:		
Purchase of plant and equipment	3,816	7,162
Reduction of long-term indebtedness (Note 4)	4,735	4,558
Increase (decrease) in deferred circulation expenses	2,671	(509)
Additions to other assets and deferred costs	4,353	3,363
Cash dividends	1,956	2,757
Increase in investments	--	509
Purchase of treasury stock	--	146
Total working capital used	**17,531**	**17,986**
Increase (Decrease) in working capial	**$20,121**	**$(10,369)**

Capital Stock

CAMPBELL SOUP COMPANY (JUL)

Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
ADDITIONS		
Net income	$ 59,633	$ 67,208
Items not requiring the use of working capital		
Depreciation	27,695	24,970
Amortization of intangibles	704	672
Deferred income taxes	5,645	4,554
Loss on disposal of Peruvian investment.		973
Other	281	318
Working capital from operations	**93,958**	**98,695**
Sale of plant assets	907	1,156
Treasury stock issued for Management incentive plan and Stock option plans (8,301 shares–1972; 41,242 shares–1971)	242	1,269
Valley Tomato Products, Inc. (75,000 shares cost $2,699)	2,225	
Other		29
Additions to working capital	**97,332**	**101,149**
DEDUCTIONS		
Purchase of plant assets	54,705	50,244
Acquired plant assets	1,907	
Dividends	36,900	36,967
Acquired goodwill and other assets	1,519	
Purchase of Company stock (225,900 shares–1972; 94,400 shares–1971)	6,460	2,958
Other	43	
Deductions from working capital	**101,534**	**90,169**
Increase (decrease) in working capital	**$ (4,202)**	**$ 10,980**

CHICAGO BRIDGE & IRON COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCES OF FUNDS:		
Net income for the year	$ 32,929	$29,689
Add–Expenses not requiring outlay of working capital in current period–		
Provisions for depreciation and amortization (Note 1)	7,763	8,115
Income taxes not payable currently (Note 1)	1,366	1,116
Working capital provided from operations	**$ 42,058**	**$ 38,920**
Proceeds from mortgage, less current year repayments of $2,000,000 (Note 5)	---	8,000
Sales or retirements of fixed assets	2,980	767
Proceeds from sales of treasury stock (Notes 3 and 4)	1,960	10,365
Total working capital provided	**$ 46,998**	**$58,052**
APPLICATIONS OF FUNDS:		
Cost of treasury stock acquired (Notes 3 and 4)	$ 13,395	$15,776
Cash dividends	7,504	4,902
Property additions	12,424	9,016
Increase in marketable securities	31,680	4,839
Increase (decrease) in other investments and assets	6,439	(1,461)
Acquisition of real estate properties and other assets of Fairmac Corporation, less long term debt assumed (Notes 6 and 7)	14,098	---
Total working capital applied	**$ 85,540**	**$33,072**
Increase (decrease) in working capital	**$(38,542)**	**$24,980**

COLLINS & AIKMAN CORPORATION (FEB)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF WORKING CAPITAL:		
Net income	$17,155	$13,509
Charges to net income not involving working capital:		
Depreciation	6,851	6,151
Deferred income taxes (Note 3)	1,390	1,582
Working capital provided from operations	**25,396**	**21,242**
Proceeds from issuance of 8⅞% notes, due November 1, 1989		12,500
Proceeds from issuance of 6% notes, due April 15, 1974	3,000	
Proceeds from stock issued under stock option and restricted stock plans	837	700
Disposal of property, plant and equipment	1,923	595
Tax benefit in connection with issuance of stock to former stockholders of a previously acquired business	490	
	31,646	**35,037**
APPLICATION OF WORKING CAPITAL:		
Cash dividends	5,791	4,812
Additions to property, plant and equipment	19,752	13,242
Reduction of long-term debt (other than by debenture conversions of $1,771 in 1972 and $1,736 in 1971)	1,970	3,199
Repurchase of common stock from a former employee under restricted stock plan	318	
Other, net	496	61
	28,327	**21,314**
Increase in working capital	**3,319**	**13,723**

EMERSON ELECTRIC CO. (SEP)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
WORKING CAPITAL PROVIDED		
Operations:		
Net earnings	$63,596	57,999
Add depreciation	20,551	18,248
Working capital provided from operations	**84,147**	**76,247**
Issuance of long-term debt	---	9,612
Sale and retirement of property, plant and equipment, net of accumulated depreciation	913	903
Common stock issued:		
Stock options exercised	1,669	502
Acquisition of companies	---	48
Preferred stock conversions	309	495
Decrease (increase) in other assets	296	(593)
	87,334	**87,214**
WORKING CAPITAL USED		
Purchase of property, plant and equipment	26,600	22,595
Cash dividends paid	30,393	29,346
Reduction of long-term debt	3,373	3,564
Noncurrent assets of purchased companies:		
Property, plant and equipment	---	6,364
Other	---	382
Preferred stock converted into common stock	309	495
Acquisition of common stock for treasury	8	5,334
	60,683	**68,080**
Increase in working capital	**$26,651**	**19,134**

THE FLINTKOTE COMPANY (DEC)

Statements of Changes in Financial Position

	1972	1971
	($ thousands)	
FUNDS PROVIDED BY:		
Income before extraordinary items	$16,728	$13,804
Add, Charges not requiring working capital:		
Depreciation and depletion	19,234	20,570
Deferred taxes and investment tax credits	2,259	1,500
Provided from operations exclusive of extraordinary items	**38,221**	**35,874**
Extraordinary items, including principally net fixed assets sold	16,388	
Provided by operations including extraordinary items	**54,609**	**35,874**
Increase in long-term debt	10,732	29,750
Capital stock transactions:		
Exercise of stock options	1,279	403
Conversion of preferred stocks into common stock	6,094	57
Normal disposal of net fixed assets	2,506	1,038
	75,220	**67,122**
FUNDS USED FOR:		
Additions to property, plant and equipment	39,066	29,644
Reduction in long-term debt	4,070	7,242
Dividends paid	7,535	7,563
Capital stock transactions:		
Redemption of 4½% preferred stock	922	
Conversion of preferred stocks into common stock	6,094	57
Common stock purchased for treasury	2,357	
Other, net	823	251
	60,867	**44,757**
Net increase in working capital	**$14,353**	**$22,365**

Investments

GENERAL REFRACTORIES COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1972	1971
	($ thousands)	
WORKING CAPITAL PROVIDED BY:		
Operations:		
Income before extraordinary items	$1,350	$ 237
Add or (deduct) items not involving working capital:		
Depreciation and depletion	8,483	8,881
Deferred income taxes	122	585
Increase in equity in undistributed net income of associated foreign companies	(515)	(587)
Other, principally provision for non-current liabilities	1,358	528
Working capital provided from operations	**10,798**	**9,644**
Extraordinary items	883	(1,711)
Add provision for pensions on closed plants which did not involve working capital	--	2,389
Working capital provided from extraordinary items	**883**	**678**
Proceeds from disposal of property, plant and equipment, net of gains or losses included in net income	966	590
New long-term debt	12,543	240
Decrease of long-term investments	1,383	230
Total working capital provided	**26,573**	**11,382**
WORKING CAPITAL APPLIED TO:		
Acquisition of property, plant and equipment	8,744	10,640
Cash dividends on preferred shares	145	294
Long-term investments, including advances	1,017	194
Reduction of long-term debt	14,486	2,247
Other assets and deferred charges	311	135
Total working capital applied	**24,703**	**13,510**
Increase (decrease) in working capital	**$1,870**	**$(2,128)**

ROHM AND HAAS COMPANY (DEC)

Statements of Changes in Consolidated Financial Position

	1972	1971
	($ thousands)	
SOURCE OF FUNDS:		
Operations:		
Earnings before extraordinary gain	$46,422	$27,403
Depreciation	44,902	40,837
Amortization of investment credits and grants	(1,825)	(871)
Equity in earnings of foreign affiliates (net of dividends received)	(811)	(1,201)
Funds provided from operations	**88,688**	**66,168**
Extraordinary gain	--	2,070
Long-term borrowings	44,109	37,645
Stock options exercised	7,487	2,113
Investment grants received by foreign subsidiary	7,151	10,787
Other sources, net	2,821	2,990
Total Source of Funds	**150,256**	**121,773**
APPLICATION OF FUNDS:		
Additions to land, buildings and equipment	72,885	98,898
Amounts invested in and advanced to unconsolidated subsidiaries and affiliates	1,746	7,235
Cash dividends	10,450	10,005
Reduction of long-term borrowings	53,110	1,812
Purchase of treasury shares (1972–205,116; 1971– 67,446)	15,406	3,255
Total Application of Funds	**153,597**	**121,205**
Increase (Decrease) in Working Capital	**$(3,341)**	**$ 568**

Acquisitions And Dispositions

ARCHER DANIELS MIDLAND COMPANY (JUN)

Statement of Changes in Consolidated Financial Position

	1972	1971
	($ thousands)	
SOURCE OF WORKING CAPITAL		
From operations:		
Net earnings	$ 11,309	$12,158
Charges (credits) to income not requiring (providing) working capital:		
Depreciation and obsolescence	9,629	7,985
Deferred income taxes	2,150	1,450
Equity in net earnings of unconsolidated bank subsidiary	(981)	(1,112)
Total from operations	**22,107**	**20,482**
Exercise of employee stock options	4,164	319
Contribution of treasury stock to employee pension funds	212	502
Long-term borrowings	50,000	
Net current assets upon consolidation of previously 50% owned company:		
Property, plant and equipment	(10,302)	
Long-term debt assumed	872	
Minority interest in subsidiary	875	
50% investment insubsidiary	5,456	
Treasury stock exchanged for additional 33% interest	3,343	
Net current assets received	**246**	--
	76,729	**21,303**
APPLICATION OF WORKING CAPITAL		
Additions to property, plant and equipment	15,365	15,641
Less disposals	2,260	1,046
	13,105	**14,595**
Dividends paid in cash	3,339	3,171
Reduction in long-term debt	886	6,466
Decrease in long-term lease obligations capitalized	625	595
Increase in investment in unconsolidated bank subsidiary	4,250	27
Other increase (decrease)	(113)	239
	22,092	**25,093**
Increase (decrease) in working capital	**54,637**	**(3,790)**
Working capital at beginning of year	68,351	72,142
Working capital at end of year	**$122,988**	**$68,352**

SOLA BASIC INDUSTRIES, INC.

Consolidated Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF FUNDS		
Operations:		
Net earnings for the year	$4,095	$3,670
Depreciation	1,798	1,554
Other	(21)	(187)
Funds provided from operations	**5,872**	**5,036**
Additional long-term borrowings		710
Proceeds from exercise of stock options	72	95
Property disposals	135	186
	6,080	**6,028**
APPLICATION OF FUNDS		
Acquired businesses:		
Property, plant and equipment	2,674	1,449
Investments and other assets	17	2
Excess cost over net assets acquired	1,219	
Long-term debt	(894)	(1,812)
Common stock issued	(1,625)	
	1,391	**(359)**
Investments in unconsolidated companies	403	667
Additions to property, plant and equipment	1,479	2,169
Cash dividends declared	1,717	1,608
Prepayments of long-term debt	380	1,131
Current maturities on long-term debt	868	925
Other (net)	(39)	231
	6,201	**6,373**
Changes in Working Capital	**$ (121)**	**$ (345)**

BEATRICE FOODS CO. (FEB)

Statement of Changes in Consolidated Financial Position

	1972	1971	1971
			Restated
			For
		Previously	Poolings
		Reported	(Note 3)
	($ thousands)		
FUNDS PROVIDED:			
Net earnings	$77,944	$62,076	$70,796
Charges which did not currently use funds:			
Depreciation	35,784	27,376	34,256
Deferred tax and other items	3,861	4,527	4,786
Total from operations	**117,589**	**93,979**	**109,838**
Sale of common stock under option plans	2,927	2,566	2,567
Fair value of common stock issued for assets of purchased companies	302	2,906	2,906
Issuance of common stock upon conversion of preference stock and debentures	1,661	685	685
Proceeds from sale-and-leaseback of properties	13,051	--	--
Long-term borrowings:			
Debentures	25,000	20,000	20,000
Other	2,605	15,652	15,980
Investments and other items	1,377	2,218	2,764
Total funds provided	**164,512**	**138,006**	**154,740**
FUNDS USED:			
Cash dividends	35,233	28,173	29,616
Plant and equipment acquired through purchase of other companies	7,322	10,864	10,864
Plant and equipment purchased, net of retirements $3,480 (1971 – $4,936, restated $5,114)	59,874	45,727	53,557
Preference stock and debentures (net) retired upon conversion into common stock	1,661	685	685
Reductions in long-term debt	25,693	7,195	14,396
Intangible assets acquired	7,725	17,126	17,127
Acquisition of treasury shares, investments, etc.	5,527	2,166	2,166
Total funds used	**143,035**	**111,936**	**128,410**
Increase in working capital	**$21,477**	**$26,070**	**$26,329**

CONSOLIDATED FOODS CORPORATION (JUN)

Consolidated Statements of Changes in Financial Position

	1972	1971
	($ thousands)	
WORKING CAPITAL WAS PROVIDED BY:		
Operations–		
Income before extraordinary item	$67,121	$61,064
Add–Expenses not requiring an outlay of working capital–		
Depreciation and amortization of property	24,348	22,696
Deferred income taxes	1,529	1,316
Other	2,050	436
Total provided by operations exclusive of extraordinary item	**95,048**	**85,512**
Extraordinary item	(3,367)	--
Total provided by operations	**91,681**	**85,512**
Issuing Common Stock–		
Sales under stock option and employee stock purchase plans	8,124	7,086
Exchanged for net assets of businesses purchased	--	1,406
Total provided by Common Stock	**8,124**	**8,492**
Long-term borrowing–		
7⅜% Sinking Fund debentures due in 1996	50,000	--
Other	3,670	11,890
Total provided by long-term borrowing	**53,670**	**11,890**
Sale of businesses–		
Property and other noncurrent assets of businesses sold, net of other liabilities and deferrals	8,913	10,805
Less–Long-term notes received from purchasers of businesses sold	(10,254)	(8,231)
Net (used for) provided by sale of businesses	**(1,341)**	**2,574**
Sales and retirements of property	4,870	3,711
Sale of note receivable	3,500	--
Total working capital provided	**160,506**	**112,179**
WORKING CAPITAL WAS USED TO:		
Purchase property	65,898	54,617
Pay dividends	36,380	33,952
Reduce long-term debt	15,852	16,275
Purchase Treasury Stock	10,881	--
Purchase businesses–		
Property acquired at fair value	569	9,196
Excess of purchase price of businesses acquired over net assets at dates of acquisition	91	7,514
Long-term debt assumed	(16)	(3,025)
Net used to purchase businesses	**644**	**13,686**
Other, net	1,426	(220)
Total working capital used	**131,085**	**118,310**
Net Increase (Decrease) in Working Capital	**$29,421**	**$(6,131)**

GENERAL MILLS, INC. (MAY)

Changes in Financial Position

		1972		1971
		($ thousands)		
WORKING CAPITAL PROVIDED BY:				
Earnings before extraordinary items		$ 52,157		$ 43,856
Add non-cash items:				
Depreciation and amortization		32,009		27,459
Other (including deferred Federal income taxes)		2,445		4,868
Working capital provided from operations, exclusive of extraordinary items		86,611		76,183
Extraordinary items (loss)	$ (6,760)			
Less non-cash extraordinary items	9,633	2,873		--
Proceeds from long-term debt issued		2,824		133,381
Common stock issued		5,275		--
Sale of stock upon exercise of options		3,933		622
Decrease in investments		--		6,992
Other sources		4,042		2,738
Total working capital provided		**105,558**		**219,916**
WORKING CAPITAL USED FOR:				
Gross additions to plant and equipment	51,004		$ 60,397	
Less proceeds from sales	8,356		5,809	
Net additions to plant and equipment		42,648		54,588
Purchase price of businesses	15,438		16,561	
Less working capital acquired	1,130		1,713	
Balance		14,308		14,848
Consisting of–Fixed assets	1,811		5,073	
–Intangibles and miscellaneous assets	13,805		10,538	
–Long-term debt	(829)		(1,548)	
–Minority interest	(479)		785	
Cash dividends		21,385		19,787
Long-term debt paid or charged against working capital		26,115		119,815
Increase in investments		1,177		--
Other uses		1,492		5,434
Total working capital used		**107,125**		**214,472**

Dividends

ANDERSON, CLAYTON & CO. (JUN)

Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF FUNDS:		
Net income	$ 16,962	$ 11,692
Add (deduct) items not requiring (or providing) funds:		
Undistributed earnings of nonconsolidated domestic subsidiaries	(5,933)	(4,083)
Depreciation and amortization	6,635	6,866
Deferred taxes on income	227	325
(Profit) loss on disposition of property, plant and equipment	(647)	(616)
Extraordinary items	--	2,725
Funds derived from operations	**17,244**	**16,909**
Proceeds from sale of property, plant and equipment	6,308	2,951
Net decrease in other noncurrent assets	--	1,963
Proceeds from sale of Peruvian subsidiary	1,600	--
Decrease in noncurrent receivables	8,025	--
Decrease in investment in nonconsolidated finance subsidiary ($15,517,000) less agricultural term loans ($13,149,000) received in liquidation	2,368	--
Other items–net	506	(885)
	$ 36,051	**$ 20,938**
DISPOSITION OF FUNDS:		
Dividends paid	$ 11,043	$ 3,954
Less stock dividend not requiring funds (Note 12)	6,967)	--
	4,076	**3.954**
Additions to property, plant and equipment	6,990	4,240
Increase in investment in nonconsolidated subsidiaries	6,000	6,684
Decrease in long-term debt	4,066	4,081
Increase in working capital (including $2,368,000 in 1972 from liquidation of finance subsidiary)	14,919	1,979
	$ 36,051	**$ 20,938**

BEECH AIRCRAFT CORPORATION (SEP)

Consolidated Statements of Changes in Financial Position

	1972	1971
SOURCE OF FUNDS		
From operations:		
Net income for the year	$ 7,086,655	$ 4,753,726
Expenses not requiring use of working capital:		
Depreciation	2,129,744	2,132,758
Increase in reserves for insurance claims	1,771,875	
Total from operations	**10,988,274**	**6,886,484**

Decrease in working capital	708,827	12,949,275
Proceeds from long-term debt	926,007	87,535
Treasury stock issued in acquisition of minority interest in a subsidiary		274,130
Disposals of property, plant, and equipment	543,921	678,571
Sale of Common Stock under stock option plan	32,763	9,615
Decrease (increase) in other assets	(136,711)	118,617
	$ 13,063,081	**$ 21,004,227**
APPLICATION OF FUNDS		
Increase in investments	$ 5,114,507	$ 14,593,952
Additions to property, plant, and equipment	4,657,589	1,063,107
Reductions of long-term debt	320,920	997,910
Cash dividends paid	2,741,724	3,083,042
Cash payments in lieu of fractional shares in connection with stock dividends	126,741	
Cost of Common Stock purchased for treasury	101,600	1,266,216
	$ 13,063,081	**$ 21,004,227**

CONAGRA, INC. (JUN)

Changes in Consolidated Financial Position

	1972	1971
	($ thousands)	
WORKING CAPITAL PROVIDED BY:		
Earnings before extraordinary items	$ 3,726	3,001
Add charges (deduct credits) to earnings not requiring funds:		
Depreciation and amortization	3,359	2,583
Deferred income taxes	243	126
Other amortization	75	40
Amortization of deferred credits	--	(123)
Gain on disposal of assets	(85)	(378)
Working capital provided from operations exclusive of extraordinary items	**7,318**	**5,249**
Extraordinary items (loss)—net of $300,000 not requiring funds	(367)	--
Total working capital provided from operations	**6,951**	**5,249**
Proceeds from issuance of long-term debt	13,467	19,896
Proceeds from disposal of assets	552	1,292
Market value of stock issued in purchase of businesses	331	923
Proceeds from stock issued upon exercise of options	--	19
Total working capital provided	**21,302**	**27,379**
WORKING CAPITAL USED FOR:		
Additions to property, plant and equipment	6,819	9,621
Decrease in long-term debt	5,274	7,355
Cash Dividends:		
Common stock	1,377	1,270
Preferred stock	258	260
Acquisition of businesses, less net current assets acquired, 1972, $1,699,985; 1971, $7,302:		
Property, plant and equipment	1,732	3,762
Goodwill and other assets	46	542
Long-term liabilities assumed	(318)	(2,539)
Other items, net	600	482
Purchase of treasury stock	1	179
Total working capital used	**15,789**	**20,932**
Net increase in working capital	5,513	6,447
Working capital at beginning of year	22,654	16,207
Working capital at end of year	**$ 28,167**	**22,654**

GETTY OIL COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
WORKING CAPITAL PROVIDED FROM:		
Income before minority interest and extraordinary items	$ 89,617	$136,566
Depreciation, depletion, and amortization of goodwill	122,302	122,180
Dry-hole costs and amortization of undeveloped leases	59,768	43,513
Deferred income taxes	2,769	6,608
Undistributed earnings of unconsolidated affiliates	(1,735)	(2,114)
Working capital provided from consolidated operations, exclusive of extraordinary items	**272,721**	**306,753**
Working capital provided from extraordinary items	30,762	19,150
Working capital provided from consolidated operations	**303,483**	**325,903**
Proceeds from long-term borrowing	16,654	769
Dispositions of property, plant, and equipment	18,060	11,082
Decrease in investments, advances, and long-term receivables	15,711	10,387
	353,908	**348,141**
WORKING CAPITAL USED FOR:		
Capital expenditures, including dry-hole costs	273,008	214,575
Reduction of long-term debt	9,020	7,923
Decrease (increase) in deferred credits	2,330	(9,507)
Purchase of preferred stock and common minority interest	13,970	77,304
Cash dividends		
Preferred stockholders	1,781	1,906
Common stockholders	21,902	21,500
Minority stockholders of consolidated subsidiaries	4,202	4,338
	326,213	**318,039**
Increase in Working Capital	**$ 27,695**	**$ 30,102**

Transactions Not Affecting Working Capital

AMERADA HESS CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	1972	1971
	($ thousands)	
SOURCE OF WORKING CAPITAL		
Working capital provided from operations		
Income before extraordinary items and accounting change	$ 46,229	$133,249
Expenses not affecting working capital	130,893	80,884
Working capital provided from operations	**177,122**	**214,133**
Working capital provided from extraordinary items		
Sale of warrants for L.L. & E. stock	2,283	24,535
Proceeds from sale of properties (less income taxes)	---	17,239
Other items	---	(3,723)
Working capital provided from extraordinary items	**2,283**	**38,051**
Other sources of working capital		
Long-term borrowings	107,143	229,946
Disposal of equipment, etc.	7,877	6,547
Sale of warrants for Amerada Hess common stock	2,681	---
Other sources—net	10,026	9,601
Total other sources of working capital	**127,727**	**246,094**
Total source of working capital	**307,132**	**498,278**
DISPOSITION OF WORKING CAPITAL		
Capital expenditures		
Exploration and production	69,890	76,385
Refining and marketing	68,029	98,566
Other	4,172	723
Total capital expenditures	**142,091**	**175,674**
Long-term debt reduction	98,790	204,940
Cash dividends paid	31,421	35,639
Investments and advances	2,809	13,314
Other dispositions—net	4,320	10,370
Total disposition of working capital	**279,431**	**439,937**
Increase in Working Capital	**$ 27,701**	**$ 58,341**
CHANGES IN FINANCIAL POSITION NOT AFFECTING WORKING CAPITAL		
Conversions of securities into common stock		
4½% subordinated debentures	**$ ---**	**$(9,051)**
$3.50 cumulative convertible preferred stock	**(717)**	**(2,327)**
Changes resulting from above conversions		
Common stock issued	1,576	5,566
Capital in excess of par value	(859)	5,812
Cumulative effect on years prior to 1972 of change in method of accounting		
Reduction in retained earnings	21,415	---
Effect on properties, plant and equipment and other assets	(21,415)	---
	$ ---	**$ ---**

McCORMICK & COMPANY, INCORPORATED (NOV)

Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF FUNDS		
Net income	$5,753	$ 5,048
Depreciation and amortization, including intangibles	3,601	2,973
Deferred income taxes	(86)	17
Share of loss of Maryland Properties Inc., and 50% owned companies	470	142
Adjustment of litigation claim	465	300
Total from operations	**10,203**	**8,480**
Company's capital stocks issued:		
Conversion of 5¼% Convertible Subordinated Debentures	14,631	---
Stock Option Plans	455	1,036
Property disposals, less accumulated depreciation	49	49
5¼% Convertible Subordinated Debentures issued	---	15,000
Increase in other long-term debt	93	---
Other	352	---
Total	**25,783**	**24,565**
APPLICATION OF FUNDS		
Property additions	7,776	8,431
Dividends paid in cash	1,621	1,494
Investments	1,689	1,516
Reduction of long-term debt:		
Conversion of 5¼% Convertible Subordinated Debentures	14,987	---
Other	543	525
Company's capital stocks reacquired	16	122
Other	---	330
Total	**26,632**	**12,418**
Increase (decrease) in Working Capital	**(849)**	**12,147**
Working Capital, beginning of year	21,879	9,732
Working Capital, End of Year	**$21,030**	**$21,879**

RAYTHEON COMPANY (DEC)

Statements of Changes in Financial Position

	1972	1971
	($ thousands)	
RESOURCES PROVIDED:		
Income before extraordinary item	$41,173	$38,408
Depreciation and amortization of property, plant and equipment	28,344	28,034
Working capital provided from operations exclusive of extraordinary item	**69,517**	**66,442**
Working capital applied to extraordinary item	(3,275)	---
Disposal of property, plant and equipment	1,992	4,352
Issuance of 8¼% Sinking Fund Debentures	---	50,000
Sale of common stock under option plans	2,698	1,795
Decrease in investments	163	535
Decrease (increase) in deferred charges and other assets	1,189	(818)
Total Resources Provided	**72,284**	**122,306**
RESOURCES APPLIED:		
Additions to property, plant and equipment	32,351	27,621
Increase (decrease) in long-term receivables	(283)	2,529
Common shares reacquired	22,540	344
Dividends declared	9,698	10,982
Decrease in long-term debt	3,712	819
Conversion of Series A preferred stock:		
Decrease in preferred stock	2,321	767
(Increase) in common stock	(2,321)	(767)
Redemption of Series A preferred stock for cash	100	---
Capital transaction of a pooled company prior to acquisition	---	124
Total resources applied	**68,118**	**42,419**
Increase in working capital	**$ 4,166**	**$79,887**

CASH FLOW

Opinion No. 19 states in part:

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, 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 5-7.

TABLE 5-7: REFERENCES TO CASH FLOW

	Number of Presentations			
	1972	1971	1970	1969
Location of Reference				
President's letter or financial review	56	59	59	73
Operating summaries or statistics	34	37	38	51
Highlights	19	27	38	42
Chart	17	16	28	42
Statement of Changes in Financial Position	1	1	7	26
Separate statement	--	--	1	1
	*127	**140	***171	****235

*Fifteen companies referred to cash flow in two locations; nine in three; two in four.

**Fifteen companies referred to cash flow in two locations; ten in three; three in four.

***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.

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 appropriately 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 5-8 shows the manner in which 596 of the survey companies disclosed details of this information. Of the 41 companies listed as including an analysis of working capital elements as part of the statement of changes in financial position, 29 presented a statement format accounting for cash or cash equivalents.

Table 5-9 summarizes the titles or introductory phrases used for the schedule of changes in working capital elements when such data is not contained within the main body of the statement of changes in financial position.

Examples of tabulations analyzing changes in working capital elements are shown below. Such data has been omitted from previous examples in this section in order to emphasize other information contained within the statement of changes in financial position.

TABLE 5-8: ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS PRESENTATION

	1972	1971	1970
Analysis included as part of statement of changes in financial position	41	46	42
Analysis presented in a tabulation at bottom of statement of changes in financial position	525	487	72
Analysis presented in a tabulation apart from statement of changes in financial position	30	26	9
Total number of companies presenting analysis	**596**	**559**	**123**

TABLE 5-9: TITLES IDENTIFYING ANALYSIS OF WORKING CAPITAL ELEMENTS

	1972	1971
Change in working capital	228	207
Increase (decrease) in working capital	186	146
Analysis of changes in working capital	53	48
Summary of changes in working capital	29	25
Other titles	59	87
Subtotal	**555**	**513**
Analysis included in statement of changes in financial position	41	46
Total Companies	**596**	**559**

Analysis Included as Part of Statement

GAMBLE-SKOGMO, INC. (JAN)

Consolidated Statement of Changes in Financial Position

		1973		1972
		($ thousands)		
SOURCE OF FUNDS				
Earnings before extraordinary item		$22,371		$19,127
Depreciation and amortization		12,089		12,643
Net earnings of unconsolidated subsidiaries		(7,045)		(6,146)
Funds derived from operations		**27,415**		**25,624**
Proceeds from sale of Claude Neon Advertising, Ltd. stock, less $2,803 of net working capital		15,097		---
Issuance of subordinated income notes		16,602		12,078
Issuance of long-term debt		1,182		1,600
Carrying value of property and equipment disposals		6,922		6,856
Issuance of common stock		1,732		5,949
Decrease in investments and other assets		4,898		4,466
Common stock exchanged for minority interest in Red Owl Stores, Inc.		---		10,726
		$73,848		**$67,299**
USE OF FUNDS				
Cash dividends		$ 8,382		$ 8,462
Reduction of long-term debt		30,553		51,400
Additions to property and equipment		11,132		16,437
Acquisition of treasury stock		31,013		---
Reduction in minority interest		158		7,261
Decrease in deferred credits		180		2,831
Other		1,236		1,798
Change in working capital by component parts:				
Cash and other assets	$16,657		$14,534	
Receivables	(22,797)		(17,706)	
Inventories	10,150		(11,453)	
Notes payable and current installments of long-term debt	4,082		2,450	
Accounts payable and accrued liabilities	(10,527)		(1,829)	
Income taxes	(6,371)	(8,806)	(6,886)	(20,890)
		$73,848		**$67,299**

Analysis Presented in a Tabulation at Bottom of Statement

FOOTE MINERAL COMPANY (DEC)

Statements of Changes in Consolidated Financial Position

	1972	1971
	($ thousands)	
FUNDS PROVIDED:		
Earnings before extraordinary loss	$ 245	2,133
Charges (credits) not requiring funds:		
Depreciation	5,520	5,855
Provision for (recovery of) deferred income taxes	(75)	249
Amortization of deferred investment credit	(49)	(49)
Equity in net loss of joint venture	162	---
Funds derived from operations before extraordinary item	**5,803**	**8,188**
Extraordinary loss, less related charges of $5,870,675 in 1972 not requiring current funds	(867)	(355)
Funds derived from operations	**4,936**	**7,833**
Net book value of property, plant and equipment retired and sold	883	1,072
Proceeds from exercise of stock options	---	16
Reduction of advances to unconsolidated foreign subsidiary	602	---
Decrease in working capital	2,683	699
	$ 9,104	**9,620**
FUNDS USED:		
Additions to property, plant and equipment	$ 5,252	2,904
Reduction of long-term debt	2,850	2,725
Cash dividends paid	---	2,133
Repurchase and cancellation of preferred stock	---	1,278
Advances to Chrome Resources, S.A.	---	309
Investment in and advances to unconsolidated foreign subsidiary and joint venture	318	93
Other	684	178
	$ 9,104	**9,620**
CHANGES IN WORKING CAPITAL:		
Increase (decrease) in current assets:		
Cash	$ 451	(473)
Receivables	3,328	(1,392)
Recovery of Federal income taxes	(70)	675
Inventories	(8,129)	4,820
Prepaid expenses	62	8
	(4,358)	**3,638**
Increase (decrease) in current liabilities:		
Accounts payable	16	(1,536)
Notes payable to banks	(1,100)	7,000
Current installments of long-term debt	286	(176)
Accrued expenses	(765)	267
State income taxes	(112)	(1,216)
	(1,675)	**4,337**
Increase (decrease) in working capital	**$(2,683)**	**(699)**

THE MEAD CORPORATION (DEC)

Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCE OF FUNDS:		
Earnings before extraordinary items	$ 26,048	$ 23,308
Depreciation and cost of timber harvested	33,134	32,878
Provision for deferred federal taxes	3,435	6,743
Unremitted earnings of jointly-owned companies	(12,599)	(7,251)
Total from operations, before extraordinary items	**50,018**	**55,678**
Extraordinary items	(8,404)	
Components not requiring funds	3,876	
Total from operations	**45,490**	**55,678**
Increase in long-term liabilities	11,000	49,172
Construction funds utilized	7,931	41,624
Issuance of Corporation's shares	153	318
	64,574	**146,792**
APPLICATION OF FUNDS:		
Capital expenditures (including construction-in-progress) net of retirements	34,871	58,117
Construction funds		38,650
Cash dividends paid	18,208	24,815
Current maturities and debt retirement	27,355	30,739
Purchase of Corporation's shares	5,632	
Other	2,586	1,116
	88,652	**153,437**
Decrease in working capital	**$(24,078)**	**$ (6,645)**
ANALYSIS OF CHANGES IN WORKING CAPITAL:		
Increases (decreases) in current assets:		
Cash	$(25,560)	$(21,306)
Due from customers and others	21,711	(11,140)
Inventories	(7,531)	7,046
Prepaids	747	(540)
	(10,633)	(25,940)
Increases (decreases) in current liabilities:		
Accounts payable	7,786	(14,467)
Interest, taxes, wages and other accrued liabilities	6,991	(4,764)
Taxes on income	(1,177)	1,622
Current maturities on long-term liabilities	(155)	(1,686)
	13,445	(19,295)
Increase (decrease) in working capital	(24,078)	(6,645)
Working capital beginning of year	190,921	197,566
Working capital end of year	**$166,843**	**$190,921**

Analysis Presented in a Tabulation Apart from Statement

WARNER COMMUNICATIONS INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1972	1971
	($ thousands)	
SOURCES OF FUNDS:		
Operations:		
Income before extraordinary items	$50,118	$41,668
Add (deduct) items not affecting working capital:		
Depreciation and amortization	13,714	14,833
Deferred income taxes	5,635	12,715
Equity in income of Garden State National Bank and National Kinney Corp.	(7,726)	(7,723)
Working capital provided from operations before extraordinary items	**61,741**	**61,493**
Extraordinary items net of applicable income taxes	--	350
Amounts included in extraordinary items not affecting working capital	--	(12,949)
	61,741	**48,894**
Distributions received from Garden State National Bank and National Kinney Corp.	2,314	14,302
Disposal of property, plant and equipment	2,179	4,491
Businesses sold	--	31,447
Capital stock issued	27,109	16,736
Increase in long-term debt and convertible debt	67,294	13,798
Increase in accounts payable due after one year	1,757	6,306
Decrease in amounts due from National Kinney Corp.	4,325	10,989
Total funds provided	**166,719**	**146,963**
APPLICATIONS OF FUNDS:		
Additions to property, plant and equipment	22,814	26,356
Decrease in long-term debt	36,680	17,981
Increase in other assets	16,196	11,263
Increase in investments-other	10,764	10,741
Increase (decrease) in accounts and notes receivable due after one year	2,207	(3,643)
Conversions of convertible debt and Preferred stock	7,977	5,916
Cash dividends	8,269	8,053
Other, net	9,030	(4,430)
Total funds applied	**113,937**	**72,237**
Increase in working capital (Note 13)	**$52,782**	**$74,726**

Note 13: Working Capital Changes—The details of the changes in the elements of working capital are as follows:

	Year Ended Dec. 31,	
	1972	1971
	($ thousands)	
INCREASE (DECREASE) IN CURRENT ASSETS:		
Cash	$(10,310)	$ (2,643)
Marketable securities	60,873	58,625
Accounts and notes receivable	15,587	8,019
Inventories	7,393	24,656
Other current assets	3,136	4,992
DECREASE (INCREASE) IN CURRENT LIABILITIES:		
Notes payable	(1,600)	(313)
Accounts payable and accrued expenses	(27,362)	(13,116)
Long-term debt due within one year	7,262	1,204
Accrued taxes on income	(2,197)	(6,698)
Increase in working capital	**$52,782**	**$74,726**

Section 6: Auditors' Report

This section reviews the format and content of Auditors' Reports appearing in the annual reports of the 600 survey companies. Effective November 1972, *Statement of Auditing Standards No. 1,* issued by the Auditing Standards Executive Committee of the AICPA, codified and superseded *Statements on Auditing Procedure Nos. 33-54* previously issued by the Committee on Auditing Procedure. Sections of *Statement No. 1* will in turn be superseded by a proposed *Statement on Auditing Standards No. 2* which, if issued in the form exposed for public comment, will apply to Auditors' Reports issued on financial statements for periods ending after November 30, 1973.

LOCATION

Table 6-1 summarized the placement of the Auditors' Report in the 1972 annual reports of the survey companies.

TABLE 6-1: LOCATION OF AUDITORS' REPORT IN RELATION TO FINANCIAL STATEMENTS

	1972	1971	1970	1969
Follows all financial statements and notes (*9, 230, 716)	444	432	428	440
Follows all financial statements, but precedes notes (*74, 334, 607)	46	52	74	73
Precedes all financial statements and notes (*33, 104, 554)	54	60	47	48
Intermediate position (*6, 118, 362)	56	56	51	39
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

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 co-operation with stock exchanges wrote: "To this end, we think it desirable that the document signed by the accountants should be in the form of a report, as in England, rather than a certificate, and that the words in our (my) opinion should always be embodied therein." But one of the notes to the form recommended with that letter spoke of the "certificate," and other committees have frequently found themselves obliged to use *report* and *certificate* interchangeably. In these circumstances the continued use of both terms can scarcely be avoided, and the important thing is to emphasize the fact that the choice of one term or the other implies no difference of scope or purport, and to make that purport clear...

Table 6-2, which summarized 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' Report.*

TABLE 6-2: TERMS USED IN TITLE OF AUDITORS' REPORT

	1972	1971	1970	1969
Auditor Designated as:				
Accountant	330	323	323	321
Auditor	129	135	141	150
Certified public accountant	77	74	69	61
Public accountant	9	11	12	12
No reference, or other	1	3	2	2
Reports with titles	546	546	547	546
Independent added	166	165	160	161
Report Designated as:				
Report	434	377	373	360
Opinion	103	156	158	165
Certificate	8	7	11	14
Other	1	6	5	7
Reports with titles	546	546	547	546
Reports without titles	54	54	53	54
Total	**600**	**600**	**600**	**600**

	1971 References to Report			
1971 Reference to Auditor	Report	Opinion	Certificate	Other Terms
Accountant	158	46	5	1
Independent accountant	84	36	--	--
Auditor	118	5	2	--
Independent auditor	4	--	--	--
Certified public accountant	42	2	--	--
Independent certified public accountant	22	10	1	--
Independent public accountant	6	3	--	--
Auditor not referred to	--	1	--	--
Reports with Titles	**434**	**103**	**8**	**1**

ADDRESSEE OF THE AUDITORS' REPORT

Table 6-3 summarized the addressee mentioned in the auditors' reports of the survey companies.

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.

TABLE 6-3: ADDRESSEE OF AUDITORS' REPORT

	1972	1971	1970	1969
The Directors (Board of Directors) and Stockholders (Shareowners)	402	384	382	373
The Directors	96	106	106	112
The Stockholders	81	84	88	89
The Company	18	21	21	22
Other, or no addressee	3	5	3	4
Total Companies	**600**	**600**	**600**	**600**

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 Section 511.04 of *Statement on Auditing Standards No. 1* follows:

> We have examined the balance sheet of X Company as of December 31, 19..., and the related statements of income and retained earnings and 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.
>
> In our opinion, the aforementioned financial statements present fairly the financial position of X Company at December 31, 19..., and the results of its operations and the changes in its financial position 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 summarized the format of auditors' reports included in the 1972 annual reports of the survey com-

TABLE 6-4: FORMAT OF AUDITORS' REPORT

	1972	1971	1970	1969
Standard Short-form Report				
Standard form (including only slight variations)	324	296	244	201
Extra middle sentence in scope paragraph	8	14	5	13
Additional last sentence in scope paragraph referring to:				
Prior year examination	101	120	142	146
Examination by other accountants	69	76	84	81
Matter to which exception is taken	2	6	12	40
Other	17	8	20	11
Middle paragraph between scope and opinion referring to:				
Examination by other accountants	4	3	5	11
Matter to which exception is taken	26	25	17	9
Other	12	13	10	8
Sentence or paragraph following opinion paragraph referring to:				
Statement of Changes in Financial Position	--	1	25	61
Other matters	11	12	21	11
Total	***574**	***574**	***585**	***592**
Modified Short-form Report				
Two sentences only– "In our opinion.." and "Our examination was made..."	65	69	75	83
Sentence between "In our opinion.." and "Our examination was made..."	4	3	2	2
Sentence or paragraph following "Our examination was made".	5	6	10	16
Total	**74**	**78**	**87**	**101**
Number of Companies Presenting:				
Standard short-form report	526	522	513	499
Modified short-form report	74	78	87	101
Total	**600**	**600**	**600**	**600**

*Some audit reports had more than one modification.

panies. The standard short-form auditors' report was included in the annual reports of 526 companies and the modified short-form auditors' report in 74 annual reports. Of the 526 standard short-form reports, 202 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 follow. Examples of auditors' reports which are qualified, or which refer to other statements and schedules are shown in connection with Tables 6-6 to 6-10 inclusive.

TABLE 6-5: MINOR WORDING VARIATIONS FOUND IN AUDITORS' REPORT

	Wording Variation Found in	
Wording Variations Used	Standard Short-Form	Modified Short-Form
Accompanying included in opening sentence, but not in opinion paragraph	30	--
Title of balance sheet used in report does not agree with title on statement	3	--
Financial statements substituted for names of statements in opening sentence, but opinion paragraph has titles of statements	22	--
Financial statements substituted for names of statements throughout	8	13
Disclosure of state of incorporation after name of company	65	--
As *of* in scope paragraph replaced by:		
at	38	--
at at	21	--
Variations of *for the year then ended,* such as for *the fiscal year, for the fifty-two weeks, for the year ended* (date), etc.	29	--
At in 'In our opinion' sentence replaced by *as of* or *as at*	77	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.*	366	--
Reference to notes in opinion sentence	1	1
Name of company does not appear in opinion paragraph	14	--
Other wording variations	39	4
Total	**713**	**19**

Typical Standard Short-Form Reports

To the Shareowners and Board of Directors
Gerber Products Company

We have examined the consolidated statement of financial position of Gerber Products Company and subsidiaries as of March 31, 1972 and 1971 and the related consolidated statements of operations, retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statement identified above present fairly the consolidated financial position of Gerber Products Company and subsidiaries at March 31, 1972 and 1971, and the consolidated results of their operations and changes in shareowners' equity and financial position 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

Interco Incorporated:

We have examined the consolidated balance sheets of INTERCO INCORPORATED and subsidiaries as of November 30, 1972 and 1971 and the related statements of earnings, stockholders' equity, and changes in financial position for the respective 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 aforementioned consolidated financial statement present fairly the financial position of INTERCO INCORPORATED and subsidiaries at November 30, 1972 and 1971 and the results of their operations, changes in stockholders' equity, and changes in financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

To the Board of Directors of

Varian Associates:

We have examined the consolidated balance sheet of Varian Associates and subsidiary companies at September 30, 1972, and the related consolidated statements of operations, stockholders' equity and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the company and subsidiary companies for the year ended September 30, 1971.

In our opinion, the above mentioned financial statements present fairly the consolidated financial position of Varian Associates and subsidiary companies at September 30, 1972 and 1971, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountants' Opinion.*

Typical Modified Short-Form Report

To the Board of Directors and Stockholders of

Pet Incorporated

In our opinion, the accompanying consolidated balance sheets, the related statements of consolidated earnings, stockholders' investment and changes in financial position present fairly the financial position of Pet Incorporated and its subsidiaries at March 31, 1972 and 1971, the results of their operations and the changes in financial position 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.*

EXCEPTIONS TO SCOPE

"GENERALLY ACCEPTED AUDITING STANDARDS"

Section 150.01 of *Statement on Auditing Standards No. 1* states:

> 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 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

Section 542 of *Statement on Auditing Standards No. 1* states in part:

> 02. Therefore, 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.
>
> 03. 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.
>
> 05. 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...

The substance of Section 542 was originally issued in September 1970 as *Statement on Auditing Procedure No. 43*. For the 10 years prior to *Statement No. 43,* 45 to 50 references were made by the survey companies to scope exceptions— usually because of receivables not being confirmed. As a result of *Statement No. 43,* the number of such references decreased to 12 in 1970 and three in 1971. One reference to a scope exception – receivables not confirmed – appears in the 1972 survey company reports.

REFERENCE TO OTHER AUDITORS

Section 543 of *Statement on Auditing Standards No. 1,* which "offers guidelines for reporting on financial statements" when the principal auditor utilizes the work of other independent auditors, states in part:

> .03 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.
>
> .09 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, 19...., and the related consolidated statements of income and retained earnings and 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 percent and 22 percent, 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 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.
>
> 16. 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 .02). 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 changes in financial position of XYZ Company and subsidiaries for the year ended December 31, 19– –, prior to their restatement for the 19– – pooling of interests. The contribution of XYZ Company and subsidiaries to revenues and net income represented – – percent and – – percent of the respective restated totals. Separate financial statements of the other companies included in the 19– – restated consolidated statements of income and changes in finan-

TABLE 6-6: REFERENCES TO OTHER AUDITORS

	1972	1971	1970	1969
Manner of Reference				
Reference to other auditors in scope and opinion paragraphs	76	71	66	67
Reference to other auditors in scope paragraph only	--	3	20	23
Reference to other auditors does not include specific statement that opinion is based on their report	--	--	2	2
Reference to examination by other auditors of prior year statements	1	11	11	7
Total Companies	**77**	**85**	**99**	**99**
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary	51	62	79	72
Statements for investee only	11	7	12	17
Prior year statements only	15	16	8	10
Total Companies	**77**	**85**	**99**	**99**

cial position were examined and reported upon separately by other auditors. We also have reviewed, as to compilation only, the accompanying consolidated statements of income and changes in financial position for the year ended December 31, 19— — after restatement for the 19— — pooling of interests; in our opinion, such consolidated statements have been properly compiled on the basis described in Note A of notes to consolidated financial statements.

Table 6-6 summarizes the manner in which references were made to other auditors and the portion of the financial statements examined by other auditors. Except as otherwise indicated in Table 6-6, references to other auditors usually related to both 1972 and 1971 financial statements. (See Table 6-10 which shows a marked increase in the number of auditors' reports referring to prior years examinations.)

Sixty-two of the 77 auditors' reports referring to other auditors disclosed amounts or percentages for the portion of the financial statements examined by other auditors. Examples of such disclosures follow.

Consolidated Subsidiaries

The Shareholders and Board of Directors

Continental Steel Corporation

We have examined the consolidated balance sheets of Continental Steel Corporation and subsidiaries as of December 30, 1972 and January 1, 1972 and the related consolidated statements of income and retained earnings and of changes in financial position for the two 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 Phoenix Manufacturing Company, a consolidated subsidiary, which statements reflect total assets of 27% at December 30, 1972 and 26% at January 1, 1972 of the related consolidated totals and reflect total revenues of 22% for the year ended December 30, 1972 and 25% for the year ended January 1, 1972 of the related consolidated totals. These statements were examined by other auditors whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for Phoenix Manufacturing Company, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, such financial statements present fairly the financial position of Continental Steel Corporation and its subsidiaries at December 30, 1972 and January 1, 1972 and the results of their operations and the changes in their financial position for the two years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Opinion of Independent Certified Public Accountants.*

Board of Directors

The Hoover Company

We have examined the consolidated balance sheets of The Hoover Company and subsidiaries at December 31, 1972, and 1971, and the related consolidated statements of income, stockholders' equity, and changes in financial position 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 did not examine the financial statements of certain foreign subsidiaries, which statements reflect net assets and net sales constituting approximately 61% for 1972, and 58% for 1971, of the related consolidated totals. These statements were examined by other independent accountants whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such foreign subsidiaries, is based solely upon the reports of other independent accountants.

In our opinion, based upon our examinations and upon the aforementioned reports of other independent accountants, the accompanying financial statements referred to above present fairly the consolidated financial position of The Hoover Company and subsidiaries at December 31, 1972, and 1971, and the consolidated results of their operations, changes in stockholders' equity, and changes in financial position for the years 1972 and 1971, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountants' Report*

Board of Directors and Shareowners

Martin Marietta Corporation

We have examined the consolidated financial statements of Martin Marietta Corporation and consolidated subsidiaries for the years ended December 31, 1972 and 1971. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Martin Marietta Aluminum Inc. and consolidated subsidiaries, which statements reflect total assets and revenues constituting 38 per cent and 19 per cent in 1972, and 39 per cent and 21 per cent in 1971, respectively, of the related consolidated totals. These statements, which give retroactive effect to the change to the equity method of accounting for certain investments, 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 Martin Marietta Aluminum Inc. and consolidated subsidiaries, is based solely on the report of other auditors.

In our opinion, based upon our examinations and the aforementioned report of other auditors, the accompanying balance sheets, and statements of earnings, shareowners' equity, and changes in financial position present fairly the financial position of Martin Marietta Corporation and consolidated subsidiaries at December 31, 1972 and 1971, and the results of their operations, changes in shareowners' equity, and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change, with which we concur, to the equity method of accounting for certain investments, as explained on page 19 of the financial review.— *Accountants' Report*

To the Board of Directors

Pacific Tin Consolidated Corporation:

We have examined the consolidated balance sheet of PACIFIC TIN CONSOLIDATED CORPORATION AND SUBSIDIARY as of December 31, 1972 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 previously examined and reported upon the consolidated financial statements for the year 1971 which have been restated as described in Note 3 to the financial statements. We did not examine the financial statements of the subsidiary, which statements reflect total assets and revenues constituting 48% and 58%, respectively, of the related consolidated totals in 1972 and 48% and 60%, respectively, in 1971. 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 the subsidiary, is based solely upon the report of the other auditors.

In our opinion, based upon our examination and the report of the other auditors, the aforementioned financial statements present fairly the consolidated financial position of Pacific Tin Consolidated Corporation and subsidiary at December 31, 1972 and 1971 and the consolidated results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for investments in certain companies as described in Note 3 to the financial statements.— *Auditor's Report.*

To the Shareholders of

H. H. Robertson Company

We have examined the financial statements of H.H. Robertson Company and its subsidiaries for the years ended December 31, 1972 and 1971. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain consolidated overseas subsidiaries, which statements reflect total assets and revenues constituting approximately 7% of each of the related consolidated totals in 1972 and 1971. We were furnished with the reports of other auditors on their examinations of the financial statements of these subsidiaries for the years ended December 31, 1972 and 1971. Our opinion expressed below, insofar as it relates to amounts included for these subsidiaries, is based solely upon the reports of the other auditors.

In our opinion, based on our examination and the reports of other auditors, the accompanying consolidated balance sheet and statements of consolidated income, retained earnings, and changes in financial position present fairly the financial position of H. H. Robertson Company and its subsidiaries at December 31, 1972 and 1971 and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountant's Opinion.*

To the Board of Directors and Shareowners of

Simmons Company:

We have examined the consolidated balance sheet of Simmons Company and Subsidiaries as of December 31, 1972, and the related statements of income and retained earnings and 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 have previously examined and reported upon the 1971 consolidated financial statements of the Company and its subsidiaries. The 1972 and 1971 financial statements of certain subsidiaries were examined by other auditors whose reports thereon have been furnished to us. Total assets and net sales of such subsidiaries constitute 24% and 20% in 1972 and 22% and 18% in 1971, respectively, of the related consolidated totals. Our opinion expressed herein, insofar as it relates to amounts included for such subsidiaries, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, the accompanying consolidated financial statements present fairly the financial position of Simmons Company and Subsidiaries at December 31, 1972 and 1971 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Certified Public Accountants.*

Investees

To the Board of Directors

ESB Incorporated

We have examined the consolidated statements of financial position of ESB Incorporated and its subsidiaries as of March 31, 1972 and 1971 and the related consolidated statements of income, retained earnings and changes in financial position 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. With respect to investments in partially-owned unconsolidated foreign companies, we did not examine the financial statements of certain of these companies which are accounted for on an equity basis in the consolidated financial statements. The equity of ESB Incorporated in the net assets and net income of such companies not examined by us aggregated 4% and 5% of consolidated total assets as of March 31, 1972 and 1971, respectively, and 10% and 23% of consolidated net income for the years then ended. In addition, we did not examine the financial statements of certain consolidated foreign subsidiaries aggregating 10% of consolidated total assets as of March 31, 1972 and 1971, and 7% and 5% of consolidated net sales for the years then ended. These statements were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such partially-owned companies and consolidated subsidiaries, is based solely upon such reports.

In our opinion, based upon our examination and the reports of other auditors, the aforementioned statements present fairly the consolidated financial position of ESB Incorporated and its subsidiaries as of March 31, 1972 and 1971 and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

Board of Directors

General American Transportation Corporation

We have examined the consolidated balance sheet of General American Transportation Corporation and subsidiaries as of December 31, 1972 and 1971, and the related statements of consolidated income, additional capital, reinvested earnings, and changes in financial position 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 did not examine the financial statements of certain unconsolidated subsidiaries, representing 15% and 12% of net income in 1972 and 1971, respectively (principally the MTL Group of Companies—see Note H). These statements were examined by other independent accountants whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for these unconsolidated subsidiaries, is based solely upon the reports of the other independent accountants.

In our opinion, based upon our examinations and the aforementioned reports of other independent accountants, the accompanying financial statements present fairly the consolidated financial position of General American Transportation Corporation and subsidiaries at December 31, 1972 and 1971, and the consolidated results of their operations and changes in shareholders' equity and financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

To the Stockholders and Board of Directors of

The Sperry and Hutchinson Company

We have examined and consolidated balance sheet of The Sperry and Hutchinson Company and subsidiaries as of December 30, 1972 and January 1, 1972 and the related consolidated statements of earnings, changes in stockholders' equity and changes in financial position 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 The State National Bank of Connecticut, an unconsolidated subsidiary, for 1972 and 1971 and those of Bigelow-Sanford, Inc., a consolidated subsidiary, for 1971. Amounts for these subsidiaries included in the consolidated financial statements, which were examined by other independent public accountants, were 5% and 21% of consolidated assets and 7% and 13% of consolidated earnings for 1972 and 1971 respectively. We have been furnished with the unqualified opinions of the other independent public accountants and our opinion expressed herein, insofar as it relates to the amounts included for Bigelow-Sanford, Inc. and The State National Bank of Connecticut for the specified periods, is based solely upon such reports.

In our opinion, based upon our examination and the aforementioned reports of the other accountants, the financial statements identified above present fairly the consolidated financial position of The Sperry and Hutchinson Company and subsidiaries at December 30, 1972 and January 1, 1972, and the results of their operations and changes in stockholders' equity and financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Report of Independent Certified Public Accountants.*

Prior Year Statements

Board of Directors and Shareholders

Associated Dry Goods Corporation

We have examined the consolidated balance sheet of Associated Dry Goods Corporation and consolidated subsidiaries as of February 3, 1973 and the related statements of earnings, shareholders' equity and changes therein and changes in financial position for the 53 weeks then ended. We have also examined the balance sheet of Associated Dry Goods Credit Corporation as of February 3, 1973 and January 29, 1972. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements as of January 29, 1972 and the 52 weeks then ended, which were examined and reported upon by us, have been restated to include the financial statements of L.S. Ayres and Company and subsidiaries (see Note B), examined by other independent accountants whose report thereon was furnished to us and our opinion expressed herein insofar as it relates to the amounts included for L.S. Ayres and Company and subsidiaries is based solely upon the report of the other accountants. The January 29, 1972 financial statements of L.S. Ayres and Company and subsidiaries reflect total assets and revenues which constitute approximately 15% and 20%, respectively, of the related consolidated totals.

In our opinion, based upon our examinations and the report of other accountants, the aforementioned consolidated financial statements present fairly the financial position of Associated Dry Goods Corporation and consolidated subsidiaries at February 3, 1973 and January 29, 1972 and the results of their operations and changes in financial position for the 53 and 52 weeks then ended, as well as the financial position of Associated Dry Goods Credit Corporation at February 3, 1973 and January 29, 1972, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountant's Report.*

Note (B): Acquisition of L. S. Ayres and Company— Associated Dry Goods Corporation entered into a plan and agreement of reorganization on February 11, 1972 whereby it acquired on April 20, 1972 L. S. Ayres and Company and subsidiaries, a department store business in Indiana, for 1,397,185 shares of common stock. The acquisition has been accounted for as a pooling of interests and accordingly the financial statements for the 53 weeks ended February 3, 1973 and 52 weeks ended January 29, 1972 include the accounts of the acquired company after giving effect to certain adjustments made to conform accounting practices.

Net sales and net income for the period preceding the combination follow:

	52 weeks ended Jan 29, 1972	First quarter ended Apr 29, 1972 (unaudited)
	($ thousands)	
Net Sales:		
Associated Dry Goods Corp.	$ 848,718	$188,859
L.S. Ayres and Company	213,126	46,376
	$1,061,844	**$235,235**
Net. Income:		
Associated Dry Goods Corp.	$ 34,640	$ 3,683
L.S. Ayres and Company	3,205	144
	$ 37,845	**$ 3,827**

To the Stockholders of

Colgate-Palmolive Company:

We have examined the consolidated balance sheet of Colgate-Palmolive Company (a Delaware corporation) and subsidiaries as of December 31, 1972 and 1971, and the related consolidated statements of income, retained earnings, changes in capital accounts and changes in financial position 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 The Kendall Company for the year ended December 25, 1971, which are included in the financial statements of Colgate-Palmolive Company as discussed in Note 1 and which reflect total assets and total revenues constituting 23% and 18%, 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 amounts included for such company, is based solely upon the report of other auditors.

In our opinion, based upon our examination and the report of other auditors, the accompanying consolidated financial statements present fairly the financial position of Colgate-Palmolive Company and subsidiaries as of December 31, 1972 and 1971, and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.— *Auditors' Report.*

To the Shareholders of

Nabisco, Inc.:

We have examined the consolidated balance sheet of Nabisco, Inc. and its subsidiaries as of December 31, 1972, and the related consolidated statements of income and retained earnings, capital stock and additional paid-in capital, and 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 previously examined and reported upon the consolidated financial statements for the year 1971. The 1971 financial statements of certain subsidiaries which reflect net sales and total assets constituting 15% of the respective consolidated totals in that year were examined by other auditors and our opinion expressed herein is based, in part, upon such reports.

In our opinion, based upon our examinations and in 1971 the reports of other auditors referred to above, the aforementioned financial statements present fairly the consolidated financial position of Nabisco, Inc. and its subsidiaries at December 31, 1972 and 1971, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Report of Auditors.*

QUALIFICATIONS AS TO FAIR PRESENTATION

Table 6-7 shows that 93 Auditors' Reports expressed either a fair presentation qualification or a consistency qualification as to 116 matters. All but one of the fair presentation qualifications was due to "unusual uncertainties". Section 547 of *Statement on Auditing Standards No. 1* discusses such qualifications.

The introduction to Section 6 of this book mentions that certain sections of *Statement No. 1* will be superseded by a proposed *Statement on Auditing Standards No. 2.* Section 547 is one such section. *Statement No. 2,* if issued in the form in which it has been exposed for public comment, will stipulate a format for qualifications due to "unusual uncertainties" significantly different from that set forth in Section 547. With the possible exception of the qualification in the annual report of Bausch & Lomb Incorporated, the examples of fair presentation qualifications which follow have not anticipated the proposed requirements of *Statement No. 2* but are presented to illustrate the nature of "unusual uncertainties" for which a fair presentation qualification was deemed necessary and appropriate. Examples of consistency qualifications are shown in connection with Table 6-8.

TABLE 6-7: AUDITORS' OPINION QUALIFIED

	1972	1971	1970	1969
Reason for Qualification				
Fair Presentation:				
Litigation	32	20	16	16
Valuation or realization of assets	18	23	20	16
Uncertainties concerning discontinued operations	14	7	6	--
Tax or renegotiation liability	8	15	14	9
Claims in connection with sales contracts	2	6	2	4
Availability of adequate financing	2	2	5	1
Other	4	2	5	10
Subtotal	**80**	**75**	**68**	**55**
Change in Application of Accounting Principles (see Table 6-8)	36	43	35	59
Total Reasons	**116**	**118**	**103**	**114**
Number of Companies				
Opinion not qualified as to presentation or consistency	507	510	515	510
Opinion qualified as to presentation or consistency	93	88	83	90
Disclaimer of opinion	--	2	2	--
Total Companies	**600**	**600**	**600**	**600**

Litigation

To The Shareholders and Board of Directors of
Bausch & Lomb Incorporated

We have examined the consolidated financial statements appearing on pages 13 through 21 of this annual report of Bausch & Lomb Incorporated and its consolidated subsidiaries at December 31, 1972 and December 26, 1971. 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 on litigation in the accompanying consolidated financial statements, the company was named as defendant in several legal actions. The current status of all the actions is at an early stage and the ultimate liability, if any, cannot now be determined.

In our opinion, except for the effect, if any, of the litigation referred to in the preceding paragraph, the accompanying financial statements present fairly the consolidated financial position of Bausch & Lomb Incorporated and its consolidated subsidiaries at December 31, 1972 and December 26, 1971 and the results of their operations and changes in financial position for the periods then ended, in conformity with generally accepted accounting principles consistently applied.— *Report of Independent Accountants.*

Notes to Financial Statements

Litigation—Actions were commenced during the year against the company, its Chairman of the Board, certain Wall Street brokerage firms and others. These actions allege, among other things, violations of disclosure requirements under federal securities laws. The allegations include an alleged failure to make timely disclosure of adverse information and the alleged disclosure on a selected basis of certain information, including projected earnings for the company's first quarter, and the use of this information by others to effect sales prior to its dissemination to the public. The plaintiffs seek recovery of alleged damages of indeterminate amount to themselves and other persons who purchased shares of the company's common stock during specified periods. The company's answers deny any improper action.

Also during the year, National Patent Development Corporation served a complaint on the company commencing an action seeking a declaratory judgment as to the method to be used under the company's sublicense for hydrophilic soft contact lenses in the Western Hemisphere to determine the amount payable to National Patent Development Corporation. The complaint alleges that the company has overstated expenses by including therein items not properly includable, and has understated sales by excluding therefrom items not properly excludable. The amount alleged to be presently due is claimed to be at least $3,000,000. The company believes that it has paid National Patent Development Corporation all amounts due it to date under the sublicense.

Board of Directors

The Black and Decker Manufacturing Company

We have examined the statements of consolidated financial condition of The Black and Decker Manufacturing Company and subsidiaries as of September 24, 1972 and September 26, 1971, and the related consolidated statements of earnings, changes in stockholders' equity and changes in financial position 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 did not examine the financial statements of certain foreign subsidiaries which statements were examined for the two years by other independent accountants whose reports thereon have been furnished to us. Such statements reflect total assets and net sales approximating 30% of the respective consolidated totals. Our opinion expressed herein insofar as it relates to the amounts included for such subsidiaries is based solely on the reports of the other independent accountants.

In our opinion, based upon our examinations and the reports of the other independent accountants, subject to the outcome of the pending litigation referred to in Note G of notes to financial statements, the aforementioned financial statements present fairly the consolidated financial position of The Black and Decker Manufacturing Company and subsidiaries at September 24, 1972 and September 26, 1971, and the consolidated results of their operations, changes in stockholders' equity and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

Notes to Financial Statements

Note G: Litigation—The Company is defendant in civil actions alleging violations of antitrust laws and patent infringement. The actions seek to recover in excess of $30,000,000 in damages, costs and attorneys' fees together with injunctive relief. In the opinions of counsel and management, the Company has good defenses against these claims. Management intends to continue to vigorously contest the suits and to press counterclaims which have been asserted.

Valuation or Realization of Assets

To the Board of Directors and Stockholders

Richford Industries, Inc.

We have examined the consolidated balance sheet of Richford Industries, Inc. and subsidiaries as at December 31, 1972 and 1971 and the related consolidated statements of operations and retained earnings, capital surplus, and changes in financial position 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 determination of valuation of goodwill as described in Note 4, the accompanying consolidated financial statements present fairly the financial position of Richford Industries, Inc. and subsidiaries as at December 31, 1972 and 1971 and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.—*Accountant's Report.*

Notes to Consolidated Financial Statements

Note 4: Goodwill—The excess of investment cost over fair value of the net assets of companies acquired on a purchase basis, (all prior to October 31, 1970) has been capitalized as an intangible. Goodwill aggregating approximately $750,000 relates to two companies purchased in December 1968, whose operations to date have resulted in losses. Management is of the opinion that it is premature to assess the effects of substantial operational changes instituted in these companies during the latter part of 1972. A re-evaluation of such goodwill will be made prior to December 31, 1973. Other goodwill represents, insofar as is presently determinable, an asset of unlimited life and no attrition through periodic amortization to income is anticipated.

Tax or Renegotiation Liabilities

To the Board of Directors and Shareholders

Melville Shoe Corporation:

We have examined the consolidated balance sheets of Melville Shoe Corporation and subsidiary companies at December 31, 1972 and at December 31, 1971, and the related statements of earnings, shareholders' equity, and changes in financial position for each year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to final determination of Federal income tax liability as described in note 4c of notes to consolidated financial statements, the accompanying consolidated financial statements present fairly the financial position of Melville Shoe Corporation and subsidiary companies at December 31, 1972 and at December 31, 1971, and the results of their operations and changes in financial position for each year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountants' Report.*

Notes to Consolidated Financial Statements

Note (4) (in part): Federal Income Taxes—In connection with an examination of tax returns of the Company and its subsidiaries, the Internal Revenue Service in 1969 questioned the claiming of separate surtax exemptions for the subsidiary companies. Separate surtax exemptions have been accepted by the Service for all years prior to 1964 and, in the opinion of the Company, they were allowable under the then existing legislation. Pursuant to the Tax Reform Act of 1969, multiple surtax exemptions for controlled groups are being phased out over a six-year transitional period which commenced in 1970.

The Company is presently discussing the possible settlement of this matter with the Service for the years 1964 through 1971. Any additional taxes resulting from the final disposition of this matter would be accounted for as a prior period adjustment and charged to the year to which the taxes apply. If consolidated returns had been filed for 1972 and 1971, the approximate reduction in earnings per share would have been $.02 and $.05, respectively.

To the Directors and Shareowners of

North American Rockwell Corporation:

We have examined the consolidated balance sheet of North American Rockwell Corporation and consolidated subsidiaries as of September 30, 1972 and 1971 and the related statements of consolidated income, capital stock and additional capital, retained earnings, and changes in financial position 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 such adjustments, if any, as may be necessary in connection with renegotiation (see Note 7), the above-mentioned financial statements present fairly the financial position of North American Rockwell Corporation and consolidated subsidiaries at September 30, 1972 and 1971 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change, with which we concur, in the method of accounting for investments in affiliated companies owned 20% or more as described in Note 5 to the financial statements— *Opinion of Independent Certified Public Accountants.*

Notes to Financial Statements

Note 7: United States Government Sales and Renegotiation—Sales under United States Government contracts accounted for 50% of total sales in 1972 and 54% in 1971. Approximately 53% of the 1972 sales under these contracts were of the cost type, and approximately 33% were of the fixed-price-incentive type; corresponding percentages for 1971 were 42% and 39%, respectively.

Substantially all sales under United States Government contracts are subject to the Renegotiation Act, which provides for recovery by the United States Government of any profits deemed excessive. Renegotiation proceedings have been completed for all years through 1966 except for 1964. With respect to the fiscal year 1964, the Renegotiation Board determined that excessive profits were realized. If sustained, this determination would require a refund to the United States Government of approximately $2,300,000 (after adjustments for taxes) plus accrued interest. The Company did not accept the Board's determination and duly filed a petition for a redetermination thereof, now pending in the Court of Claims. Because the Company believes that no excessive profits were realized in the fiscal year 1964 or in subsequent fiscal years, it has not made provision for renegotiation refunds for such years.

Contract Claim

To the Shareholders and Board of Directors

Northrop Corporation

We have examined the consolidated financial statements of Northrop Corporation and subsidiaries for the years ended December 31, 1972 and 1971. 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 effect of the ultimate resolution of the uncertainties described in Note D, the accompanying statements of financial position, income, shareholders' equity and changes in financial position present fairly the consolidated financial position of Northrop Corporation and subsidiaries at December 31, 1972 and 1971, and the consolidated results of their operations and changes in shareholders' equity and financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountants' Opinion.*

Notes to Consolidated Financial Satements

Note D: Long-Term Contract Uncertainties—The Corporation is engaged in the performance of a long-term contract (accounted for by the percentage of completion method) in a foreign country. During the latter part of 1972, contract performance delays became apparent which caused the ultimate job completion date to be extended by approximately one year and increased the estimated final costs. At the present time the indicated final cost of the contract is in excess of the current contract value; therefore, in order to avoid a loss on the contract and secure a profit, it will be necessary to obtain an increase in the contract value. The Corporation is compiling information for purposes of documenting proposed contract changes to effect such an increase. Although management of the Corporation is not able to determine the ultimate financial outcome of the contract at this time, it does expect the contract to be profitable. However, until such time as agreement is reached with the customer as to increases in contract value, management has decided that no additional profit is to be recorded for work performed on the contract and no profit or loss is reflected in the accompanying financial statements for 1972. The net income recorded for this contract aggregated less than $5,000,000 for 1970 and 1971 combined.

Economic Stabilization Act

The Board of Directors

Neisner Brothers, Inc.:

We have examined the consolidated balance sheet of Neisner Brothers, Inc. and subsidiaries as of January 27, 1973 and January 1, 1972 and the related consolidated statements of operations and retained earnings and changes in financial position for the 52 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.

As set forth in note 12 to the consolidated financial statements, no provision has been made in the accompanying financial statements for possible remedies that may be imposed by the Cost of Living Council under the Economic Stabilization Program.

In our opinion, subject to such adjustment, if any, as may result from the outcome of the matter described in the preceding paragraph, the aforementioned financial statements present fairly the financial position of Neisner Brothers, Inc. and subsidiaries at January 27, 1973 and January 1, 1972 and the results of their operations and changes in financial position for the 52 week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report*

Notes

Note 12: Economic Stabilization Act—The Company and its subsidiaries are subject to the Economic Stabilization Act of 1970, and on December 22, 1972 the Price Commission issued an Order asserting that the Company and one subsidiary were in violation of the Price Commission regulations during the period of January 2, 1972 through July 15, 1972. The Order directs the Company to make certain price reductions so as to return to the consumer revenues improperly obtained. The requirements of the Order are in addition to and not to the exclusion of other remedies available under the Act, regulations or other Federal laws. Management of the Company does not acknowledge a violation and intends to vigorously contest the Order. Since it is not possible to determine the ultimate outcome or the amount of excess revenues, if any, no provision has been made in the accounts for future price reductions, fines, or penalties.

CONSISTENCY EXCEPTIONS

Section 546 of *Statement on Auditing Standards No. 1* states in part:

> .01 When there is a change in accounting principle, the independent auditor should modify his opinion as to consistency, indicating the nature of the change. The auditor's concurrence with a change is implicit unless he takes exception to the change in expressing his opinion as to fair presentation of the financial statements in conformity with generally accepted accounting principles. Nevertheless, in order to be more informative the auditor should make his concurrence explicit (unless the change is the correction of an error) using the expression "with which we concur." The form of modification of the opinion depends on the method of accounting for the effect of the change, as explained in paragraphs .02 and .03.
>
> .02 If there has been a change in accounting principle which should be reported by restating the financial statements of prior years, the appropriate reference to consistency is that the statements are consistent after giving retroactive effect to the change. Illustrations of appropriate reporting follow:
>
> (Opinion paragraph covering one year)
>
> . . . applies on a basis consistent with that of the preceding year after giving retroactive effect to the change, with which we concur, in the method of accounting for long-term construction contracts as described in Note X to the financial statements.
>
> (Opinion paragraph covering two years)
>
> . . . applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for long-term construction contracts as described in Note X to the financial statements.
>
> The auditor's report need not refer to a change in accounting principle and restatement made in conformity with generally accepted accounting principles if the statements for the year of change are reported upon together with the financial statements for a year subsequent to the year of change.
>
> .03 If there has been a change in accounting principle which should be reported by means other than by restating the financial statements of prior years and the independent auditor is re-

porting only on the year during which the change was made, his report should state that accounting principles have been consistently applied except for the change. An example of such reporting follows:

(Opinion paragraph)

> . . . in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the method of computing depreciation as described in Note X to the financial statements, have been applied on a basis consistent with that of the preceding year.

If the independent auditor is reporting on two or more years when reporting on a subsequent year's financial statements, he should make appropriate reference to the change as long as the year of change is included in the years being reported upon. If the year of change was other than the earliest year being reported upon, the following example would be an appropriate form of reporting:

(Opinion paragraph)

> ...in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the method of computing depreciation as described in Note X to the financial statements.

If the year of change is the earliest year being reported upon, there is no inconsistency in the application of accounting principles during the period subsequent to the change, but the auditor should make reference to the change having been made in such year. Following is an example of appropriate reporting:

(Opinion paragraph)

> . . . in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of January 1, 19...., in the method of computing depreciation as described as Note X to the financial statements.

A change in accounting principle made at the beginning of the year preceding the earliest year being reported upon by the auditor does not result in an inconsistency between such preceding year and later years. In reporting on consistency of a later year with such preceding year, reference to a change is not necessary.

Table 6-8, which summarizes the reasons for consistency qualifications or restatement references being expressed, shows that 32 auditors' reports expressed a consistency qualification as to 36 matters and that 56 auditors' reports mentioned, as to 68 matters, that the 1972 financial statements were consistent with those of 1971 as restated or revised to reflect an event occurring in 1972 which affected comparability. Examples of consistency qualifications and restatement references expressed as a result of accounting changes follow.

TABLE 6-8: REFERENCES BY AUDITOR TO CONSISTENCY

	1972	1971	1970	1969
Reason for Reference				
Carrying basis of investments	32	46	9	12
Consolidation policy	15	19	13	
Interperiod tax allocation	12	5	2	10
Timing of expense recognition	7	11	11	12
Depreciation	6	10	12	27
Inventory valuation	5	11	5	7
Acquisitions	3	8	8	6
Other	24	15	14	10
Total reasons	**104**	**125**	**74**	**84**
Number of Companies				
1972 Consistent with 1971 except for change	32	39	32	52
1972 Consistent with 1971 after restatement	56	69	34	21
Subtotal	**88**	**108**	**66**	**73**
No indication of lack of consistency	512	492	534	527
Total	**600**	**600**	**600**	**600**
Consistency qualification– approval or concurrence of auditor expressed	29	30	23	41
Restatement reference– approval or concurrence of auditor expressed	33	N/C	N/C	N/C

N/C– Not Compiled.

RESTATEMENT REFERENCES

Equity Method Adopted

Board of Directors and Shareowners

Burndy Corporation

We have examined the consolidated balance sheet of Burndy Corporation and subsidiary companies as of December 31, 1972 and 1971, and the related statements of earnings, surplus and changes in financial position 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 aforementioned consolidated financial statements present fairly the financial position of Burndy Corporation and subsidiary companies at December 31, 1972 and 1971, and the results of their operations and changes of their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, after restatement for the change, with which we concur, in the method of accounting for investments now required by the Accounting Principles Board, as described in Note 2.– *Auditors' Report.*

Notes to Financial Statements

Note 2: Change in Method of Accounting for Investments—The Company has a 50% ownership in BICC-Burndy, Ltd. a United Kingdom company and a 33⅓% ownership in Burndy Japan Ltd., a Japanese company and until July 13, 1972 the Company had a 50% interest in a Brazilian company (See Note 3 for purchase of remaining 50% interest). In 1972, the Company changed its method of accounting for investments in unconsolidated affiliates from the cost to the equity method in accordance with Opinion No. 18 of the Accounting Principles Board. The consolidated statement of earnings for 1971 has been appropriately restated. As a result of this change, consolidated earned surplus at January 1, 1971 was increased by $556,651 reflecting the Company's cumulative equity in earnings of years prior to 1971, and net earnings and earnings per share for 1972 and 1971 were increased by $226,677 ($.08 per share) and $117,768 ($.04 per share), respectively, after additional provision for federal income taxes.

The Board of Directors

P. R. Mallory & Co. Inc.:

We have examined the consolidated balance sheets of P. R. Mallory & Co. Inc. and subsidiaries as of December 31, 1972 and 1971 and the related statements of consolidated earnings and retained earnings and changes in consolidated financial position for the respective 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, such financial statements present fairly the consolidated financial position of P. R. Mallory & Co. Inc. and subsidiaries at December 31, 1972 and 1971 and the results of their operations and the changes in consolidated financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for investments in unconsolidated subsidiaries and affiliates as described in note 2 to the consolidated financial statements.— *Auditors' Report.*

Notes to Consolidated Financial Statements

Note 2: Unconsolidated International Subsidiaries and Affiliates—Effective January 1, 1972, in compliance with an opinion of the Accounting Principles Board, the Company adopted the equity method of accounting for its investments (including advances) in unconsolidated subsidiaries and affiliates in which there is an ownership interest of 20% or more. Under this method, these investments are carried in the balance sheet at a value which reflects the Company's equity in the underlying net assets of these companies and consolidated net earnings includes the Company's share of the net earnings of these subsidiaries and affiliates as they accrue.

Previously, it had been the Company's practice to carry these investments at cost and to include in consolidated net earnings the Company's share of dividends as and when declared by these companies. During 1971, the Company's share of the net earnings of these companies was $126,235. In the same year, the Company's share of dividends declared by these companies amounted to $553,880 which amount was included in previously reported consolidated net earnings for 1971. As a result of the adoption of the equity method, retained earnings at January 1, 1971 have been increased by $3,243,801 and net earnings for 1971 have been reduced by $427,645, the equivalent of $.11 per share, this being the difference between the dividends declared and the earnings of these companies for 1971.

The Company's ownership interest in such unconsolidated subsidiaries and affiliates ranges from 35% to 100%. These companies maintain their accounts on various fiscal year bases and in most cases their financial statements are examined by independent public accountants.

Condensed financial data relating to the unconsolidated subsidiaries and affiliates for their fiscal years ended during 1972 and 1971 are shown in the following summary:

	1972	1971
Current assets	$27,651,630	$23,346,420
Other assets	9,492,776	8,891,060
	37,144,406	**32,237,480**
Liabilities	24,310,635	19,659,653
Shareholders' equity	12,833,771	12,577,827
	37,144,406	**32,237,480**
Net earnings	**$ 953,295**	**$ 593,088**

The Company's share of the net earnings of these companies aggregated $402,509 and $126,235 for 1972 and 1971, respectively, and the dividends received during the respective years amounted to $284,440 and $553,880.

To the Stockholders and Board of Directors of

Republic Steel Corporation

We have examined the balance sheet of Republic Steel Corporation and consolidated subsidiaries as of December 31, 1972 and 1971, and the related statements of income, income retained and invested in the business and changes in financial position 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 aforementioned financial statements present fairly the consolidated financial position of Republic Steel Corporation and consolidated subsidiaries at December 31, 1972 and 1971, and the consolidated results of their operations and changes in stockholders' equity and financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, after restatement for the change, with which we concur, in the method of accounting for certain investments as described in Note A to the consolidated financial statements.— *Accountants' Report.*

Notes to Consolidated Financial Statements

Note A: Restatement—Effective January 1, 1972, the Corporation adopted the equity method of accounting for investments in foreign subsidiaries, companies in which a 20% or greater interest is held, and corporate joint ventures. This change from the cost method was made to comply with an opinion of the Accounting Principles Board. Previously, the equity method was used only for domestic subsidiaries and 50% owned companies. Financial statements of prior years have been restated to reflect an increase, as of January 1, 1971, in investments ($20,798,140), deferred income taxes ($5,337,277) and income retained and invested in the business ($15,460,863). Net income for the year 1971 was reduced by $1,282,765, or $.08 per share of common stock, from the amount previously reported. This change had no significant effect on net income for 1972.

Consolidation Policy

To the Stockholders and Board of Directors of

The Greyhound Corporation

We have examined the statement of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1972, and the related statements of income, capital surplus, retained income and changes in financial position for the year then ended. We have also examined the accompanying statement of consolidated financial condition of Greyhound Leasing & Financial Corporation and consolidated subsidiaries as of December 31, 1972, and the related statements of income, retained income and changes in financial position for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Armour-Dial, Inc., a consolidated subsidiary, were examined by other certified public accountants in prior years.

In our opinion, the aforementioned consolidated financial statements present fairly the respective financial positions of The Greyhound Corporation and consolidated subsidiaries and of Greyhound Leasing & Financial Corporation and consolidated subsidiaries at December 31, 1972, and their respective results of operations and changes in financial position 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, with which we concur, for the consolidation of Armour-Dial, Inc., as explained in Note A to the consolidated financial statements of Greyhound.— *Auditors' Report*

Notes to Consolidated Financial Statements

Note A (in part): As described in Note B, Armour-Dial, Inc. ("Dial") became a wholly-owned subsidiary of Armour and Company ("Armour") in 1972, through the acquisition of the publicly held minority shares of Dial. In previous years the financial statements of Dial were not consolidated because of the publicly held minority interest. As a result of this acquisition, the accounts of Dial are included in the consolidated financial statements beginning in 1972. Comparative statements for 1971 are shown on this basis, which did not change net income or stockholders' equity from that previously reported.

To the Stockholders of

Veeder Industries Inc.

We have examined the consolidated balance sheets of Veeder Industries Inc. and consolidated subsidiaries as at December 31, 1972 and December 31, 1971 and the related statements of consolidated income and retained earnings and changes in consolidated financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of income and retained earnings and changes in financial position present fairly the consolidated financial position of Veeder Industries Inc. and its consolidated subsidiaries at December 31, 1972 and December 31, 1971, and the consolidated results of their operations, changes in stockholders' equity and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change, with which we concur, in the method of accounting for the Brazilian subsidiary as described in Note A to the financial statements.

Notes to Consolidated Financial Statements

Note A (in part): Principles of Consolidation—In 1972 the Company's wholly owned Brazilian subsidiary was consolidated in order to more fully incorporate this operation in the Company's financial statements, since the economic conditions in Brazil appear to be more stable than in the past. Previously the Brazilian subsidiary had been included in the consolidated statements at cost, less reserve. The financial statements for 1971 have been restated for comparative purposes. This change in accounting entity, together with related adjustments, resulted in an increase to income before extraordinary items and to net income of $205,149 for 1972 and $121,631 for 1971. Income before extraordinary items and net income per share of Common Stock increased $.17 for 1972 and $.10 for 1971.

Interperiod Tax Allocation

To the Stockholders and The Board of Directors of

Koehring Company

We have examined the consolidated balance sheet of KOEHRING COMPANY (a Wisconsin corporation) and consolidated subsidiaries as of November 30, 1972, and the related consolidated statements of earnings, capital stock and additional paid-in capital, earnings retained in the business and 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.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Koehring Company and consolidated subsidiaries as of November 30, 1972, and the results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change (with which we concur) in the method of accounting for income taxes on undistributed earnings of an international affiliate referred to in Note 1 to the financial statements.

Notes to Financial Statements

Note (1): Restatement of Prior Years—In accordance with Accounting Principles Board Opinion No. 24, the Company in 1972 provided for potential U.S. income taxes on the undistributed earnings of Koehring Overseas Corporation, S.A. Accordingly, prior years have been restated to provide for such taxes on the earnings recognized in those years. The effect on earnings is a reduction of $806,000 ($.28 per share) in 1972 and $800,000 ($.27 per share) in 1971. Earnings retained in the business have been reduced by $3,270,000 as of December 1, 1970, to reflect the prior year's effect of the restatement.

The consolidated financial statements for 1971, after the above described restatement for the change in accounting, which are presented for comparative purposes, were examined and reported on by public accountants other than Arthur Andersen & Co.

Board of Directors

Reynolds Metals Company

We have examined the consolidated financial statements of Reynolds Metals Company and consolidated subsidiaries for the years ended December 31, 1972 and 1971. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were furnished financial statements of two consolidated foreign subsidiaries and the principal associated company, which companies constituted approximately 13% of consolidated assets, and reports thereon by their auditors.

In our opinion, based upon our examinations and the aforementioned reports of other auditors, the accompanying balance sheet and statements of income and retained earnings and changes in financial position present fairly the consolidated financial position of Reynolds Metals Company and consolidated subsidiaries at December 31, 1972 and 1971, and the consolidated results of their operations and changes in financial position and stockholders' equity for each of the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change (with which we concur) in method of providing for income taxes on undistributed earnings of subsidiaries and associated companies as described in Note N.— *Independent Accountants' Report.*

Notes to Consolidated Financial Statements

Note N (in part): Taxes on Income—As a result of the issuance of Opinions by the Accounting Principles Board of the American Institute of Certified Public Accountants, in 1972, the Company retroactively provided deferred income taxes on undistributed earnings of certain subsidiaries and associated companies. Prior thereto, income taxes were provided only as earnings were distributed to the Company. This change had the effect of decreasing net income for 1972 and 1971 by $474,000 and $340,000, respectively ($.03 and $.02 per share). The amount of undistributed earnings not taxed, the remittance of which is expected to be indefinitely postponed, was immaterial after exclusion of unremitted earnings of domestic tax-consolidated subsidiaries and those earnings which will be remitted in tax-free form.

Shareholders and Directors

TRW Inc.

We have examined the consolidated balance sheet of TRW Inc. and subsidiaries as of December 31, 1972 and 1971, and the related statements of consolidated earnings, changes in shareholders' investment, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements identified above present fairly the consolidated financial position of TRW Inc. and subsidiaries at December 31, 1972 and 1971, and the consolidated results of their operations, changes in shareholders' investment, and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for income taxes on undistributed earnings of certain subsidiaries described in the note entitled "International Subsidiaries".— *Accountants' Report.*

Notes to Financial Statements

International Subsidiaries (in part)—In compliance with a recent Opinion of the Accounting Principles Board, the Company, in 1972, retroactively provided for deferred income taxes on the portion of undistributed earnings of certain subsidiaries which are not expected to be reinvested in such subsidiaries. As a result of this change, retained earnings at January 1, 1971 have been reduced by $2.6 million and net earnings and primary and fully diluted earnings per share, as previously reported for 1971, have been reduced by $1.6 million and $.07, respectively. For 1972, the effect of this change was to reduce net earnings and primary and fully diluted earnings per share by $.2 million and $.01, respectively.

That portion of undistributed earnings considered to be indefinitely reinvested in fixed assets and working capital aggregated approximately $15 million at December 31, 1972 after giving effect to available tax credits and deductions.

Change From Lifo

The Board of Directors and Stockholders

Swift & Company

We have examined the accompanying consolidated statement of financial position of Swift & Company at October 28, 1972 and October 30, 1971 and the related consolidated statements of current and accumulated earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Swift & Company at October 28, 1972 and October 30, 1971, and the consolidated results of operations and consolidated changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period, except for the 1972 change in the method of determining pension expense, and after restatement for the changes in methods of accounting for (1) inventories, (2) exploration and development costs incurred in the oil and gas operations, and (3) investments in affiliated companies, all as described in the Financial Comments under the caption "Changes in Accounting". We concur with the above mentioned changes in accounting.— *Report of Certified Public Accountants.*

Financial Comments

Changes in Accounting—Significant revisions were made in 1972 in the accounting methods used by the company. Three of the newly adopted methods have been applied retroactively as required by generally accepted accounting principles. These are (1) the adoption of the lower of current cost or market method for valuing substantially all inventories previously valued under the last-in, first-out (LIFO) cost method, (2) the adoption of the field cost method of accounting for oil and gas exploration and development activities for which the total cost method was used previously, and (3) the adoption of the equity method of accounting for investments in affiliated (20% to 50% owned) companies which were previously accounted for under the cost method. The 1971 consolidated financial statements have been restated to reflect the application of these revised accounting methods.

The company also revised its method of computing pension expense. This revision, which includes an updating of actuarial assumptions and changes in accounting methods, is being applied prospectively as required by generally accepted accounting principles and, therefore, had no effect on the 1971 consolidated financial statements.

Each revision is discussed more fully in the Statement of Accounting Policies. The effects of the revisions on the consolidated financial statements are summarized below.

Retail Land Sales

To the Board of Directors and Shareholders of

American Cement Corporation

We have examined the consolidated balance sheet of American Cement Corporation and its subsidiaries as of December 31, 1972 and 1971, and the related consolidated statements of income, retained earnings and capital in excess of par value and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 3, the Company has changed its methods of accounting for retail land sales and of providing for income taxes on the undistributed income from investments accounted for by the equity method; both of these changes are based on recently issued pronouncements of the Accounting Principles Board which are effective for 1972 and specifically provide for retroactive restatement of prior periods.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of American Cement Corporation and its subsidiaries at December 31, 1972 and 1971, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the changes, with which we concur, referred to in the preceding paragraph.— *Report of Independent Accountants.*

CONSISTENCY QUALIFICATIONS

Depreciation Method

To the Stockholders of

The National Cash Register Company

We have examined the accompanying consolidated financial statements (pages 21-29) of The National Cash Register Company as of December 31, 1972 and 1971. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We did not examine the financial statements of The

National Cash Register Company (Japan) Ltd., a consolidated subsidiary, which accounts for approximately 9% of the consolidated assets and revenues. These statements were examined by other independent accountants whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for The National Cash Register Company (Japan) Ltd., is based solely upon the reports of the other independent accountants.

As more fully described in Note 2 to the financial statements, the methods of accounting for inventories and of computing depreciation were changed in 1972, and we concur with such changes. Also, the financial statements for prior years have been appropriately restated for the change in accounting for inventories.

In our opinion, based on our examinations, and the reports mentioned above of other independent accountants, the accompanying consolidated financial statements present fairly the financial position of The National Cash Register Company and its subsidiaries at December 31, 1972 and 1971, the results of their opera- and changes in financial position for the years then ended in conformity with generally accepted accounting principles which, except for the change in depreciation, have been applied on a consistent basis after restatement for the change in accounting for inventories. Also, in our opinion, the ten year review on pages 30 and 31, after restatement for the change in accounting for inventories, presents fairly the financial information included therein.— *Accountants' Report.*

Notes to Consolidated Financial Statements

Note 2: Accounting Changes—Since 1950, the Company had used the LIFO (last-in, first-out) basis for valuing most domestic inventories. Effective January 1, 1972, the FIFO (first-in, first-out) method of inventory valuation was adopted for inventories previously valued on the LIFO basis. This results in a more uniform valuation method throughout the Company and makes the financial statements with respect to inventory valuation comparable with those of the other major United States business equipment manufacturers. As a result of adopting the FIFO method, the net loss for 1972 is approximately $4,565,000 ($.20 per share) less than it would have been on a LIFO basis. The financial statements for prior years have been retroactively restated for this change and, as a result, earnings retained for use in the business have been increased by $25,297,000 as of January 1, 1971. Also, the 1971 income statement has been restated resulting in an increase in net income of $847,000 ($.04 per share). Inventories at December 31, 1971 are stated higher by $50,276,000 than they would have been had the LIFO method been continued.

Beginning with 1972 additions, the Company changed its method of computing depreciation on rental equipment and on property, plant and equipment in the United States from the sum-of-the-years digits method to the straight-line method while continuing the former method for assets acquired prior to 1972. This change in depreciation method was made to bring the company in line with general accounting practices in the business equipment industry. Concurrent with the change in depreciation method, for additions after January 1, 1972 the Company reduced the estimated useful life of rental equipment from 6 to 5 years and changed the estimated useful lives of certain other fixed assets. The effect of the change in depreciation method was to reduce the net loss after tax for the year 1972 by approximately $2,400,000 ($.11 per share), while the effect of the change in useful lives was not significant.

To the Board of Directors and Stockholders of
Stanadyne, Inc.

In our opinion, the accompanying consolidated balance sheets, the related consolidated statements of income and earnings reinvested in the business. and the consolidated statements of changes in financial position present fairly the financial position of Stanadyne, Inc., at December 31, 1972 and 1971, the results of its operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of January 1, 1971, in the method of computing depreciation as described in Note 1 to the consolidated financial statements. 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.— *Report of Independent Accountants.*

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies—Effective January 1, 1971, the Company changed its method of computing depreciation of plant and equipment for financial statement purposes from accelerated methods to the straight-line method. The effect of this change was to increase earnings for 1971 by $414,000 or 8 cents per share. Accelerated methods are used for tax purposes. Composite group lives used to compute depreciation range from 4 years for production tooling to 45 years for buildings, with the major portion of machinery and equipment at 12 years. Renewals and betterments are capitalized; repairs and maintenance are charged to expense when incurred. Upon disposal of plant and equipment, unless unusual in nature or amount, cost less salvage is charged against accumulated depreciation.

Investment Credit

To the Board of Directors and Shareholders
Scott Paper Company

We have examined the consolidated balance sheets of Scott Paper Company and its subsidiaries as of December 31, 1972 and 1971, and the related statements of consolidated operations, reinvested earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in the financial review, in 1971 the company changed its method of accounting for the investment credit.

In our opinion, the accompanying consolidated financial statements, including the financial review, examined by us present fairly the financial position of Scott Paper Company and its subsidiaries at December 31, 1972 and 1971, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of January 1, 1971, referred to in the preceding paragraph.— *Report of Independent Accountants.*

Financial Review

Taxes on Income (in part)—In 1971, the Company adopted the "deferral" method of accounting for investment credits. The deferral method takes the credits into income over the life of the assets and minimizes fluctuations in income arising from changes in rates of capital spending. The Company has not restated prior years when it used the "flow through" method which takes credits into income in the year capital projects are completed. Earnings in 1972 and 1971 would have been higher by $1,611,000 and $489,000, respectively, under the "flow through" method.

Timing Of Expense Recognition

The Board of Directors and Shareowners
Hewlett-Packard Company:

We have examined the statement of consolidated financial position of Hewlett-Packard Company and subsidiaries as of October 31, 1972 and 1971, and the related consolidated statements of income, capital in excess of par value, retained earnings, and changes in financial position 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, such financial statements present fairly the consolidated financial position of Hewlett-Packard Company and subsidiaries at October 31, 1972 and 1971, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the accounting method used for computing inventories, as described in note 1 of notes to the financial statements.

Notes to the Financial Statements

Note 1 (in part):Changes in accounting methods—As described in note 3 below, the Internal Revenue Service has reviewed the 1967 and 1968 federal income tax returns of the Company. In connection therewith, the Service has requested the Company to change its method of accounting for miscellaneous material and labor to include such items in inventories which were previously charged to operations as period costs. The cumulative effect of such change in accounting method, which amounted to $3,290,000 at October 31, 1971, less related cash and retirement profit sharing costs of $688,000, and taxes on income of $1,391,000, has been presented separately in the consolidated statement of income in 1972. Such additional income taxes are being paid over a period of ten years commencing in 1968. The effect on net income and per share amounts in 1971, assuming the change had been applied retroactively, is insignificant. Net income in 1972 increased by $791,000 ($.03 per share) as a result of the change.

In 1971, the Company adopted the policy of accounting for its investment in an unconsolidated foreign affiliate (49% owned) at its equity in the underlying net assets. As a result of the change, net income in 1971 was increased by approximately $426,000 ($.02 per share) compared to amounts resulting from the cost method previously employed.

Adoption Of GAAP By Insurance Subsidiary

The Board of Directors and Stockholders
Avco Corporation

We have examined the accompanying statement of consolidated financial position of Avco Corporation at November 30, 1972 and the related statements of earnings, stockholders' equity and changes in financial position for the year then ended. We have also examined the statements of combined financial position of Avco's unconsolidated finance subsidiaries at November 30, 1972 and of its unconsolidated insurance subsidiaries at December 31, 1972 and the related statements of earnings and changes in financial position 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 previously made similar examinations of the financial statements for the prior year.

In our opinion, subject to the ultimate realization of the investment in and advances to Cartridge Television Inc. due to the uncertainty discussed in Note 1, the statements mentioned above present fairly the consolidated and combined financial positions of Avco Corporation and of its unconsolidated finance subsidiaries at November 30, 1972 and November 30, 1971 and of its unconsolidated insurance subsidiaries at December 31, 1972 and December 31, 1971 and the results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period, after restatement of the 1971 year for the changes, with which we concur, in certain accounting practices of the insurance subsidiaries described in the Financial

Review, and after reflecting the changes, with which we concur, made as of the beginning of the 1971 year in certain accounting practices of the consumer finance subsidiaries described in the Financial Review. Further, in our opinion, the business line analysis in the Financial Review, when read in conjunction with the consolidated finacial statements, is fairly stated in all respects material to the consolidated and combined results of operations.— *Report of Certified Public Accountants.*

Financial Review

Accounting Practices—The accounting practices of life insurance companies prescribed for reporting to regulatory authorities differ from the practices which were recommended in 1972 by the American Institute of Certified Public Accountants for financial reporting by stock life insurance companies and which were adopted by Paul Revere Life for preparation of the accompanying combined financial statements of Avco's insurance subsidiaries.

The major changes affect the accounting for costs of acquiring new business and the determination of the liability for future policy benefits. Costs of acquiring new business (principally commissions and underwriting and policy issue costs) were formerly charged against income as incurred, whereas under the new accounting method, such costs are deferred and amortized over the terms of the policies.

In determining the liability for future policy benefits, insurance regulatory authorities require the use of interest rates generally lower than those actually earned on investments and mortality and morbidity tables not derived from the company's own experience, and they do not make provision for policy terminations for reasons other than death or maturity. Under the new principles, future policy benefit liabilities are determined by use of actual company experience. Additional information concerning these changes and the effect thereof on earnings is shown under Consolidated Earnings above and in Note 2 to the combined financial statements of Avco's insurance subsidiaries.

Lease Costs

The Board of Directors and Stockholders

Amerada Hess Corporation

We have examined the accompanying consolidated balance sheet of Amerada Hess Corporation and consolidated subsidiaries at December 31, 1972 and 1971 and the related statements of consolidated income, consolidated retained earnings, consolidated changes in capital stock and capital in excess of par value, and changes in consolidated financial position 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 statements mentioned above present fairly the consolidated financial position of Amerada Hess Corporation and consolidated subsidiaries at December 31, 1972 and 1971, and the consolidated results of operations and the changes in consolidated financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period except for the change, with which we concur, in the method of accounting for costs of undeveloped oil and gas leases as described in Note 2 to the consolidated financial statements.— *Report of Certified Public Accountants.*

Notes to Consolidated Financial Statements

Note 2: Change in Accounting Method—Effective January 1, 1972, the Corporation changed its method of accounting for the costs of all undeveloped oil and gas leases. Undeveloped oil and gas leases were previously carried at cost and charged against income in full when properties were relinquished. Under the new method, costs of undeveloped oil and gas leases are amortized over the primary lease term with any unamortized costs charged against income at the time the properties are relinquished. As a result of the substantially higher cost of lease acquisitions in recent years, the newly adopted accounting method is more conservative and preferable in that it provides a systematic write-off of undeveloped oil and gas lease costs from date of acquisition. This accounting change decreased 1972 income before extraordinary items by $1,687,000 ($.05 per share). The cumulative effect of such accounting change on years prior to 1972 amounted to $21,415,000 ($.58 per share) after deducting the related deferred income tax effect of $19,758,000. The pro forma amounts shown in the Statement of Consolidated Income give effect to the retroactive application of this accounting change.

Debt Repurchase

To the Shareholders and Board of Directors

Phoenix Steel Corporation

We have examined the accompanying statement of financial position of Phoenix Steel Corporation as of December 31, 1972 and 1971 and the related statements of operations and accumulated deficit and of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 5 to the financial statements the company has changed its method of accounting for the repurchase of its debt obligations.

In our opinion the financial statements examined by us present fairly the financial position of Phoenix Steel Corporation at December 31, 1972 and 1971, the results of its operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied, except for the change, with which we concur, in the method of accounting for the repurchases of debt obligations.— *Report of Independent Accountants.*

Notes to Financial Statements

Note 5 (in part): Long-Term Debt—Effective January 1, 1972 the company adopted the accounting policy of including discounts on the repurchase of its debt obligations in income in the year of the repurchase. This change was made to conform to the required treatment for future debt repurchases resulting from the issuance of an Opinion of the Accounting Principles Board. The effect of this change was to decrease net loss for 1972 by $360,000 ($.09 per share). The repurchase discount has been included as a reduction of interest and amortization of debt discount and expense. Prior to 1972 the company followed the practice of crediting purchase discount on bonds repurchased against the unamortized balance of original issue discount and expense.

INTERMEDIATE PARAGRAPH

Qualification As To Prior Year's Statements Removed

To the Board of Directors and Shareholders

The Pantasote Company

We have examined the consolidated balance sheets of The Pantasote Company and subsidiaries as of December 31, 1972 and 1971 and the related statements of consolidated loss, shareholders' equity and changes in financial position 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 under the circumstances.

Our previously issued report covering the December 31, 1971 consolidated financial statements was subject to the final determination of foreign income taxes. During 1972, a basis for settling these taxes was evolved. As a consequence, additional provisions for such taxes were made as described in Note 5 to the financial statements. The 1971 statements have been restated to reflect these provisions and accordingly, the qualification in our 1971 report has been removed.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Pantasote Company and subsidiaries as of December 31, 1972 and 1971 and the consolidated results of their operations, shareholders' equity and changes in financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.— *Auditors' Report.*

REFERENCES TO OTHER STATEMENTS AND SCHEDULES

Table 6-9 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 6-9 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.

TABLE 6-9: REFERENCES TO OTHER STATEMENTS AND SCHEDULES

	1972	1971	1970	1969
Auditors' Report Refers to:				
Financial statements of finance-related subsidiaries	24	24	27	25
Financial statements of other subsidiaries	9	2	4	5
Historical summary	6	6	5	5
Pro forma statements, etc.	4	5	4	4
Total	**43**	**37**	**40**	**39**
Separate Auditors' Report for:				
Financial statements of finance-related subsidiaries	5	6	5	6
Financial statements of other-subsidiaries	1	1	2	4
Financial statements of pension fund etc.	3	3	2	3
Total	**9**	**10**	**9**	**13**

Auditors' Reports Refer to Separate Statements of Subsidiaries

Shareholders and Directors

Armco Steel Corporation

We have examined the statement of consolidated financial position of Armco Steel Corporation and consolidated subsidiaries as of December 31, 1972 and 1971 and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. We have also examined the combined statement of financial position of the unconsolidated subsidiaries of Armco Steel Corporation as of December 31, 1972 and 1971 and the related combined statements of income and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Armco Steel Corporation and consolidated subsidiaries and of the unconsolidated subsidiaries of Armco Steel Corporation at December 31, 1972 and 1971 and their respective results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountants' Opinion.*

To The Board of Directors and Stockholders of

First Hartford Corporation:

We have examined the consolidated balance sheet of First Hartford Corporation (a Maine corporation, formerly Wyandotte Industries Corporation) and subsidiaries as of November 30, 1972 and 1971, and the related consolidated statements of income (loss) and retained earnings and changes in financial position for the years then ended. We have also examined the consolidated balance sheet of First Hartford Realty Corporation (a Delaware corporation and wholly-owned subsidiary of First Hartford Corporation) and subsidiaries as of November 30, 1972 and 1971, and the related consolidated statements of income (loss) and retained earnings (deficit) and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the respective consolidated financial positions of First Hartford Corporation and subsidiaries and First Hartford Realty Corporation and subsidiaries as of November 30, 1972 and 1971, and the consolidated results of their respective operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

To the Board of Directors and Stockholders of

Kraftco Corporation:

We have examined the consolidated balance sheets of Kraftco Corporation (a Delaware corporation) and Subsidiaries as of December 30, 1972 and December 25, 1971, and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. We also have examined the condensed statements of financial position and income of International Subsidiaries as of the above dates and periods. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Kraftco Corporation and Subsidiaries as of December 30, 1972 and December 25, 1971, and the results of their operations and changes in financial position for the years then ended, and the accompanying condensed statements of International Subsidiaries summarize fairly the financial position and results of operations of such Subsidiaries for the above dates and periods, all in conformity with generally accepted accounting principles consistently applied during the periods.— *Auditors' 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 and the related statements of consolidated income, retained earnings and of changes in financial position present fairly the financial position of ACF Industries, Incorporated and its subsidiaries at December 31, 1972 and 1971, the results of their operations and the changes in financial position 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.— *Report of Independent Accountants.*

Board of Directors

General Plywood Corporation

We have examined the consolidated balance sheet of General Plywood Corporation and subsidiaries as of October 31, 1972 and 1971, and the related statements of operations, stockholders' equity and changes in financial position 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.

During the past four years, the Company has sustained losses from operations, which have diminished working capital and tangible net worth. Further, as described in Note D, it is not possible to determine the ultimate realization of patent and trademark costs carried on the balance sheet at October 31, 1972 at $634,728.

In our opinion, subject to the resumption of profitable operations and the ultimate realization of patent and trademark costs, the aforementioned financial statements present fairly the financial position of General Plywood Corporation and subsidiaries at October 31, 1972 and 1971, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have checked, as to compilation only, the pro forma balance sheet as of October 31, 1972 giving effect to the subsequent sales of D.A. Clarke Veneers Limited and Beaverwood Products Corporation as described in Note A. In our opinion, the aforementioned balance sheet, to which the comments in the second and third preceding paragraphs apply, has been properly compiled on the basis described therein.— *Auditors Opinion.*

To the Shareholders and the Board of Directors of

Hercules Incorporated

We have examined the consolidated financial statements of Hercules Incorporated and wholly owned subsidiary companies for the two years ended December 31, 1972. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial condition and related consolidated statements of income, stockholders' equity and changes in financial position present fairly the consolidated financial position of Hercules Incorporated and wholly owned subsidiary companies at December 31, 1972 and 1971, and the consolidated results of their operations and changes in their consolidated financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, the operating and financial review information in the ten-year digest on pages 24 and 25 presents fairly the information included therein — *Auditors' Report.*

To the Board of Directors

Tyson Foods, Inc.

We have examined the consolidated balance sheet of Tyson Foods, Inc., (an Arkansas corporation) and subsidiaries as of September 30, 1972 and 1971, and the related consolidated statements of income, stockholders' equity and changes in financial position 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. Two wholly-owned subsidiaries included in these consolidated statements maintain their books of account by the cash method of accounting but the accounts of such subsidiaries have been examined and included in these statements in conformity with the accrual basis of reporting which, in our opinion, is the proper basis of reporting.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Tyson Foods, Inc., and subsidiaries, as of September 30, 1972 and 1971, the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountants' Report.*

Separate Auditors' Reports for Other Statements

To the Trustees of the Pension Trust of

Bethlehem Steel Corporation and Subsidiary Companies:

In our opinion, the accompanying statements of assets and statements 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, 1972 and 1971 and the changes in the Fund during the years, in conformity with generally accepted accounting principles applied on a consistent basis. 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, including confirmation by the custodian of investments owned at December 31, 1972 and 1971.— *Report of Independent Accountants.*

To the Stockholders and Board of Directors of

Carrier Corporation:

We have examined the balance sheets of Carrier Distribution Credit Corporation (a Delaware corporation) as of October 31, 1972 and 1971. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets present fairly the financial position of Carrier Distribution Credit Corporation as of October 31, 1972 and 1971, in conformity with generally accepted accounting principles consistently applied— *Auditors' Report*

To the Board of Directors of

Sears, Roebuck and Co.:

We have examined the Statement of Financial Position of Allstate Insurance Company and consolidated subsidiaries as of December 31, 1972 and 1971, and the related Statements of Income, Capital and Changes in Financial Position 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 aforementioned financial statements present fairly the financial position of Allstate Insurance Company and consolidated subsidiaries at December 31, 1972 and 1971, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis— *Report of Certified Public Accountants.*

REFERENCE TO PRIOR YEAR EXAMINATIONS

Section 535.01 of *Statement on Auditing Standards No. 1* states:

> Where financial statements for the prior year are presented for comparative purposes, the independent auditor need not extend his opinion to cover them; where he has not made an examination of the prior year's statements, there should be appropriate disclosure in the statement or in the auditor's report. Where the independent auditor presently has significant exceptions or reservations as to the prior year's statements, he should make appropriate disclosure in his report. Where he has made an examination for the prior year, he may prefer to disclose this fact by an addition to the standard scope paragraph stating that he has previously examined and reported on the prior year's statements.

Statement on Auditing Standards No. 2, if issued in the form in which it has been exposed for public comment, would supersede Section 535.01 and require an auditor to report on comparative statements when presented together with those of the current period.

Table 6-10 shows a significant increase during the 1969-1972 period in the number of auditors' reports making reference to the prior year examination. This increase appears to correspond to an SEC requirement that Form 10-K include comparative financial statements for fiscal years ending after December 30, 1970 which, as shown in Table 1-6, led to a large increase in the number of survey companies presenting comparative financial statements in their annual reports.

Examples of references to prior year examinations follow.

TABLE 6-10: REFERENCES TO PRIOR YEAR EXAMINATIONS

	1972	1971	1970	1969
Reference to prior year examination	537	499	260	185
No reference to prior year examination	57	95	335	410
Reference to historical summary	6	6	5	5
Total Companies	**600**	**600**	**600**	**600**

Current Year and Prior Year Statements Examined by Same Auditors

To the Board of Directors of

Allied Mills, Inc.

We have examined the consolidated balance sheet of Allied Mills, Inc. and consolidated subsidiaries as of June 30, 1972 and the related consolidated statements of earnings, retained earnings and 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 previously examined and reported upon the consolidated financial statements of the company and consolidated subsidiaries for the year ended June 30, 1971.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Allied Mills, Inc. and consolidated subsidiaries at June 30, 1972 and 1971, and the results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Auditors' Report.*

To the Board of Directors

The Barden Corporation

We have examined the consolidated balance sheet of The Barden Corporation and subsidiary companies as at October 31, 1972 and 1971 and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings and changes in financial position present fairly the consolidated financial position of The Barden Corporation and subsidiary companies at October 31, 1972 and 1971 and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountants' Report.*

Its Directors and Shareholders

The Hobart Manufacturing Company

We have examined the consolidated balance sheet of The Hobart Manufacturing Company and subsidiary companies as of December 31, 1972 and 1971 and the related consolidated statements of income, retained earnings used in the business, and changes in financial position 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, such consolidated financial statements present fairly the financial position of the companies at December 31, 1972 and 1971 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.— *Report of Independent Accountants.*

To the Board of Directors and Shareholders of

Mirro Aluminum Company

We have examined the balance sheets of MIRRO ALUMINUM COMPANY (a New Jersey corporation) as of December 31, 1971 and 1972, and the related statements of income, retained earnings and changes in financial position 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 Mirro Aluminum Company as of December 31, 1971 and 1972, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.— *Auditors' Report.*

Current Year and Prior Year Statements Examined by Different Auditors

The Directors and Stockholders

Hampton Shirt Co., Inc.

We have examined the consolidated balance sheet of Hampton Shirt Co., Inc. and subsidiaries as of December 30, 1972, and the related statements of earnings, stockholders' equity and changes in financial position for the year (53 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements for the prior year (52 weeks) were examined by other certified public accountants.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Hampton Shirt Co., Inc. and subsidiaries at December 30, 1972, and the results of their operations and the changes in their financial position for the year (53 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.— *Accountants' Report.*

NUMBER OF ACCOUNTING FIRMS

There are 81 certified public accounting firms represented among the 600 companies included in the current survey. This is a net increase of nine for the year 1972.

It was noted that 2 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-Sixth (1972) edition. Sixteen companies included in the 1972 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers from 741 to 755, 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
	Adams-Russell Co., Inc.– *see 741*	
6	Addressograph Multigraph Corporation	7
7	Admiral Corporation	12
	Aerosol Techniques, Incorporated– *see 602*	
8	Air Products and Chemicals, Inc.	9
9	Airco, Inc.	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 Corporation	12
18	Alpha Portland Industries, Inc.	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
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*	
	American Stores Company– *see 4*	
44	*Amstar Corporation*	6
45	*American Brands, Inc.*	12
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
62	Armstrong Cork Company	12
64	The Arundel Corporation	12
65	Arvin Industries, Inc.	12
66	Ashland Oil, Inc.	9
	Askin Service Corporation– *see 732*	
67	Armada Corporation	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
68	Associated Dry Goods Corporation	1
	Associated Products, Inc.— *see 651*	
69	Atlantic Richfield Company	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
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*	
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
	Bowne & Co., Inc.— *see 718*	
	Brenco, Incorporated— *see 652*	
103	Briggs & Stratton Corporation	6
104	The Bristol Brass Corporation	12
105	The Bristol-Myers Company	12
	Bristol Products, Inc.— *see 742*	
106	Brockway Glass Company, Inc.	12
107	Brown & Sharpe Manufacturing Company	12
108	Brown Group, 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
118	Campbell Soup Company	7
120	Cannon Mills Company	12
122	The Carborundum Company	12
123	Carnation Company	12
124	Carrier Corporation	10

Co. No.		*Month in which fiscal year ends
126	Caterpillar Tractor Co.	12
127	Celanese Corporation	12
128	Central Soya Company, Inc.	8
130	Certain-teed Products Corporation	12
131	The Cessna Aircraft Company	9
	Champion International Corporation— *see 566*	
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
	Citation Manufacturing Company, Inc.— *see 743*	
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
	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
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
	Copperweld Corporation— *see 170*	
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
	Dana Corporation— *see 656*	
	Dart Drug Company— *see 744*	
	Dart Industries Inc.— *see 467*	
187	Dayco Corporation	10

*Months numbered in sequence, January through December

Co. No.		
188	Deere & Company	10
	Del Monte Corporation— ***see 116***	
189	Dennison Manufacturing Company	12
191	Diamond International Corporation	12
	Diamond Shamrock Corporation— ***see 658***	
193	Dictaphone Corporation	12
195	Walt Disney Productions	9
197	The Dow Chemical Company	12
	Doyle Dane Bernbach Inc.— ***see 616***	
198	Dravo Corporation	12
199	Dresser Industries, Inc.	10
201	*The Duplan Corporation*	9
202	E. I. du Pont de Nemours & Company	12
	The Duplan Corporation— ***see 201***	
	ELTRA Corporation— ***see 213***	
	ERB Lumber Co.— ***see 745***	
	ESB Incorporated— ***see 210***	
204	Eagle-Picher Industries, Inc.	11
	Easco Corporation— ***see 206***	
205	The Eastern Company	12
206	*Easco Corporation*	12
207	Eastman Kodak Company	12
208	Eaton Corporation	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***	
	Esmark, Inc.— ***see 535***	
	Essex International, Inc.— ***see 722***	
	Ethan Allen, Inc.— ***see 746***	
	Ethyl Corporation— ***see 660***	
218	Evans Products Company	12
220	Ex-Cell-O Corporation	11
	Extendicare, Inc.— ***see 702***	
	Exxon Corporation— ***see 518***	
	F&B/CECO Industries, Inc.— ***see 747***	
	FMC Corporation— ***see 231***	
221	Fairchild Camera and Instrument Corporation	12
222	Fairchild Industries, Inc.	12
223	Falstaff Brewing Corporation	12
224	Fansteel Inc.	12
225	Fedders Corporation	8
226	Federated Department Stores, Inc.	1
	Filter Dynamics International, Inc.— ***see 733***	
227	The Firestone Tire & Rubber Company	10
	First Hartford Corporation— ***see 700***	
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***	
235	Freeport Minerals 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
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
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***	
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***	
	The Greyhound Corporation— ***see 735***	
271	Gruen Industries, Inc.	3
272	Grumman Corporation	12
273	Gulf Oil Corporation	12
	Gulf & Western Industries, Inc.— ***see 624***	
	HMW Industries— ***see 276***	
	W. F. Hall Printing Company— ***see 275***	
274	Halliburton Company	12
275	*W. F. Hall Printing Company*	3
276	*HMW Industries, Inc.*	1
	Hampton Industries, Inc.— ***see 703***	
	Hampton Shirt Co., Inc.— ***see 703***	
278	Harnischfeger Corporation	10
279	Harris-Intertype Corporation	6
280	Harsco Corporation	12
282	Hart Schaffner & Marx	11
284	Hazeltine Corporation	12
285	H. J. Heinz Company	4
	Helena Rubinstein, Inc.— ***see 625***	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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*	
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
	Philip A. Hunt Chemical Corporation— *see 736*	
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*	
	Charles Jacquin et Cie., Inc.— *see 748*	
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
323	Kellogg Company	12
324	Kelsey-Hayes Company	8
326	Kennecott Copper Corporation	12
327	Keystone Consolidated Industries, Inc.	6
328	Walter Kidde & Company, Inc.	12
329	Kimberly-Clark Corporation	12
330	Koppers Company, Inc.	12
	Kraftco Corporation— *see 397*	
331	S. S. Kresge Company	1
332	The Kroger Co.	12
333	Kuhlman Corporation	12
	LTV Corporation— *see 628*	
	La Maur Inc.— *see 673*	

Co. No.		*Month in which fiscal year ends
	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
	Levi Strauss & Co.— *see 749*	
338	Libbey-Owens-Ford Company	12
339	Libby, McNeill & Libby	6
340	Liggett & Myers Incorporated	12
341	Eli Lilly and Company	12
	J. B. Lippincott Company— *see 750*	
344	Litton Industries, Inc.	7
345	Lockheed Aircraft Corporation	12
	Loews Corporation— *see 705*	
347	Lone Star Industries, Inc.	12
	Louisville Cement Company— *see 630*	
	Lowe's Companies, Inc.— *see 706*	
349	Lukens Steel Company	12
	Lykes-Youngstown Corporation— *see 707*	
	Lynch Corporation— *see 751*	
	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 Corporation	12
374	Melville Shoe Corporation	12
375	Merck & Co., Inc.	12
376	Meredith Corporation	6
377	Metro-Goldwyn-Mayer Inc.	8
378	Midland-Ross Corporation	12
379	Midwest Rubber Reclaiming Company	10
	Milton Roy Company— *see 737*	
380	Minnesota Mining and Manufacturing Company	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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*	
	Mosinee Paper Corporation— *see 752*	
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
	NL Industries Inc.— *see 400*	
394	Nabisco, Inc.	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	*NL Industries, Inc.*	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	*ConAgra, Inc.*	6
407	Neptune Meter Company	12
	New England Nuclear Corporation— *see 679*	
	A. C. Nielsen Company— *see 680*	
	North American Philips Corporation— *see 157*	
413	North American Rockwell Corporation	9
415	Northrop Corporation	12
	Northwest Industries, Inc.— *see 738*	
	Norton Simon, Inc.— *see 300*	
	Occidental Petroleum Corporation— *see 681*	
	Ogden Corporation— *see 639*	
	Ohio Ferro-Alloys Corporation— *see 682*	
416	Olin Corporation	12
417	O'Sullivan 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
430	Peoples Drug Stores, Incorporated	12
431	PepsiCo., Inc.	12
432	Pet Incorporated	3

Co. No.		*Month in which fiscal year ends
	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 Corporation— *see 685*	
	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
	Rapid-American Corporation— *see 663*	
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
	Rexnord Inc.— *see 468*	
	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*	
474	*Sybron Corporation*	12
475	H. H. Robertson Company	12
	Rockwell International Corporation— *see 413*	
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*	
	SMC Industries, Inc.— *see 739*	
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
485	Scovill Manufacturing Company	12
486	*Ampco-Pittsburgh Corporation*	12
487	Seaboard Allied Milling Corporation	5
488	G. D. Searle & Co.	12
	Sears Industries, Inc.— ***see 159***	
489	Sears, Roebuck and Co.	1
	Seton Company— ***see 688***	
494	Shell Oil Company	12
495	The Sherwin-Williams Company	8
496	*SCOA Industries Inc.*	1
497	The Signal Companies, Inc.	12
498	Signode Corporation	12
	Simkins Industries, Inc.— ***see 689***	
499	Simmons Company	12
500	Simplicity Pattern Co. Inc.	1
502	The Singer Company	12
504	A. O. Smith Corporation	12
505	Snap-on Tools Corporation	12
506	Sola Basic Industries, Inc.	3
509	Sparton Corporation	6
	Spencer Companies, Inc.— ***see 691***	
	The Sperry and Hutchinson Company— ***see 644***	
510	Sperry Rand Corporation	3
511	Sprague Electric Company	12
512	Square D Company	12
513	A. E. Staley Manufacturing Company	9
	Stanadyne, Inc.— ***see 522***	
514	Standard Brands Incorporated	12
	Standard Container Company— ***see 753***	
	Standard Motor Products, Inc.— ***see 645***	
516	Standard Oil Company of California	12
517	Standard Oil Company (Indiana)	12
518	*Exxon Corporation*	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
	Stanley Home Products, Inc.— ***see 692***	
523	Stanray Corporation	12
524	The L. S. Starrett Company	6
	Sterling Drug Inc.— ***see 693***	
525	J. P. Stevens & Co., Inc.	10
526	Stewart-Warner Corporation	12
527	Stokely-Van Camp, Inc.	5
528	Stone Container Corporation	12
	Struthers Wells Corporation— ***see 694***	
529	Studebaker-Worthington, Inc.	12
530	Sun Chemical Corporation	12
	Sun Oil Company— ***see 532***	
531	Sundstrand Corporation	12
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

Co. No.		*Month in which fiscal year ends
	Teledyne, Inc.— ***see 695***	
	Tenneco Inc.— ***see 647***	
538	Texaco Inc.	12
539	Texas Gulf, Inc.	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 Corp.— ***see 648***	
	Triangle Pacific Forest Products Corp.— ***see 648***	
548	*TRW Inc.*	12
549	Twentieth Century-Fox Film Corporation	12
	Tyson Foods, Inc.— ***see 740***	
550	UMC Industries, Inc.	12
	USM Corporation— ***see 563***	
	UV Industries, Inc.— ***see 569***	
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	*Champion International Corporation*	12
567	*Uniroyal, Inc.*	12
568	The United States Shoe Corporation	10
569	*UV Industries, Inc.*	12
570	United States Steel Corporation	12
571	United States Tobacco Company	12
572	*Cadence Industries Corporation*	12
574	Universal Leaf Tobacco Company, Incorporated	6
575	Utah-Idaho Sugar Company	2
576	Varian Associates	9
577	Veeder Industries Inc.	12
	Velvet-O'Donnell Corporation— ***see 754***	
578	The Vendo Company	12
	Victor Comptometer Corporation— ***see 697***	
580	Walgreen Co.	9
	Jim Walter Corporation— ***see 316***	
582	Ward Foods, Inc.	12
	Warner Communications Inc.— ***see 728***	
584	Warner-Lambert Company	12
	Weight Watchers International, Inc.— ***see 755***	
586	*Westinghouse Electric Corporation*	12
587	West Point-Pepperell, Inc.	8
	Westinghouse Electric Corporation— ***see 586***	
588	Westvaco Corporation	10
589	Weyerhaeuser Company	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
590	Wheeling-Pittsburgh Steel Corporation	12
	Whirlpool Corporation— *see 650*	
	White Consolidated Industries, Inc.— *see 698*	
591	White Motor Corporation	12
	Whittaker Corporation— *see 699*	
	Winn-Dixie Stores, Inc.— *see 714*	
	Winnebago Industries, Inc.— *see 715*	
594	F. W. Woolworth Co.	12
596	Wm. Wrigley Jr. Company	12
597	The Wurlitzer Company	3
598	Xerox Corporation	12
600	Zenith Radio Corporation	12

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Co. No.		*Month in which fiscal year ends
601	*United Brands Company*	12
602	*Aerosol Techniques, Incorporated*	9
603	*Albertson's, Inc.*	1
605	*American Building Maintenance Industries*	10
606	*Anchor Coupling Co. Inc.*	6
607	*The Ansul Company*	12
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	*LTV Corporation*	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

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Co. No.		*Month in which fiscal year ends
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
658	*Diamond Shamrock Corporation*	12
659	*Engelhard Minerals & Chemicals Corporation*	12
660	*Ethyl Corporation*	12
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666	*Homasote Company*	12
667	*International Multifoods Corporation*	2
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669	*Interphoto Corporation*	2
670	*Iowa Beef Processors, Inc.*	10
671	*Jewel Companies, Inc.*	1
672	*Lafayette Radio Electronics Corporation*	6
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675	*Malone & Hyde, Inc.*	6
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679	*New England Nuclear Corporation*	2
680	*A. C. Nielsen Company*	8
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683	*Penn Traffic Company*	1
684	*Pettibone Corporation*	3
685	*Potlatch Forests, Inc.*	12
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687	*Russ Togs, Inc.*	1
688	*Seton Company*	12
689	*Simkins Industries, Inc.*	9
691	*Spencer Companies, Inc.*	5
692	*Stanley Home Products, Inc.*	12
693	*Sterling Drug Inc.*	12
694	*Struthers Wells Corporation*	11
695	*Teledyne, Inc.*	10
697	*Victor Comptometer Corporation*	12
698	*White Consolidated Industries, Inc.*	12
699	*Whittaker Corporation*	10
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Co. No.		*Month in which fiscal year ends
702	*Extendicare, Inc.*	8
703	*Hampton Shirt Co., Inc.*	12
704	*LaBarge, Inc.*	12
705	*Loews Corporation*	8
706	*Lowe's Companies, Inc.*	7
707	*Lykes-Youngstown Corporation*	12
709	*Pall Corporation*	7

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
710	*Reeves Brothers, Inc.*	6
711	*Sav-A-Stop Incorporated*	8
712	*The Standard Register Company*	12
713	*Pratt-Read Corporation*	6
714	*Winn-Dixie Stores, Inc.*	6
715	*Winnebago Industries, Inc.*	2

ADDED FOR 1971 EDITION

Co. No.		*Month in which fiscal year ends
716	*Aberdeen Manufacturing Corporation*	12
717	*American Beef Packers, Inc.*	5
718	*Bowne & Co., Inc.*	10
719	*CSC, Inc.*	5
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
728	*Warner Communications, Inc.*	12
729	*RayGo, Inc.*	10
730	*Scope Industries*	7

ADDED FOR 1972 EDITION

Co. No.		*Month in which fiscal year ends
732	*Askin Service Corporation*	1
733	*Filter Dynamics International, Inc.*	11
735	*The Greyhound Corporation*	12
736	*Philip A. Hunt Chemical Corporation*	12
737	*Milton Roy Company*	12
738	*Northwest Industries, Inc.*	12
739	*SMC Industries, Inc.*	8
740	*Tyson Foods, Inc.*	9

ADDED FOR 1973 EDITION

Co. No.		*Month in which fiscal year ends
741	*Adams-Russell Co., Inc.*	9
742	*Bristol Products, Inc.*	12
743	*Citation Manufacturing Company, Inc.*	6
744	*Dart Drug Company*	3
745	*ERB Lumber Co.*	12
746	*Ethan Allen, Inc.*	9
747	*F&B/CECO Industries, Inc.*	5
748	*Charles Jacquin et Cie., Inc.*	9
749	*Levi Strauss & Co.*	11
750	*J. B. Lippincott Company*	12
751	*Lynch Corporation*	12
752	*Mosinee Paper Corporation*	12
753	*Standard Container Company*	9
754	*Velvet-O'Donnell Corporation*	10
755	*Weight Watchers International, Inc.*	9

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84	Squibb Corporation
102	Botany Industries, Inc.
129	Century Electric Company
148	Collins Radio Company
160	Consolidated Packaging Corporation
242	General Box Company
325	The Kendall Company
408	J. J. Newberry Co.
609	Barton Brands, Inc.
657	Detecto Scales, Inc.
665	Gyrodyne Company of America, Inc.
701	American Electronic Laboratories, Inc.
726	HON Industries Inc.
727	Kathol Petroleum, Inc.
731	AFCOA
734	Goodway, Inc.

*Months numbered in sequence, January through December

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